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CZECHOSLOVAKIA

Draft Law on Care of Children, Youth

24000120c Prague MLADA FRONTA in Czech
30 Mar 89 pp 3-4

["Draft of Principles of Law on State Policy on Child and Youth Care"]

[Text] "We attribute particular importance to a substantially upgraded role of our youth in the process of accelerated restructuring. Without its direct participation in the planning and fulfillment of our economic policies we cannot speak of real work with youth. We cannot succeed if we follow current methods of mere announcements of our decisions in order to persuade youth to become involved and assume responsibility. Instead of putting it before accomplished facts, we want to consult it on issues concerning work and study, administration of our state and use of free time for cultural, technical and physical activities. We are faced with a task of articulating a comprehensive concept of our state policy as regards our young generation and setting it on legal grounds at the level of the law."

From the programmatic declaration of the CSSR Government approved by the Federal Assembly on 10 November 1988.

The commission of the CPCZ Central Committee for work with youth discussed the documentation of the SSM [Socialist Youth Association] Central Committee for the draft of principles for a legal amendment on state care for children and youth. It endorsed the approach by the SSM Central Committee to these issues and approved its intention to define legally the position of youth in our society, and its participation in our public life. It recommended that the public and the internal division of the SSM discuss the further elaboration of the draft of the law on state policy for child and youth care.

The presidium of the SSM Central Committee presents for consideration to our public and especially to our young people a working draft of the principles of the law on state policy on child and youth care. Several legal experts and specialists on children's welfare participated in drafting it. The experience of some socialist states and other countries which have already adopted analogical laws was applied. Public discussion of the submitted draft is an important factor for the formulation of the law. It should prove that the main purpose of the principles is accurate, that their individual stipulations are appropriate, and that the proposed version is comprehensive. The discussion will serve as an important device for raising legal awareness of our youth.

Individuals, teams and organizations may address their recommendations and suggestions to the SSM Central Committee, M. Gorky Square 24, 116 47 Prague 1, or to MLADA FRONTA and SMENA before 30 June 1989.

The presidium of the SSM Central Committee appeals to young people and invites all public to participate in the drafting of this law.

Young people in the CSSR are actively engaged in the building of our socialist society and its defense. This effort takes place under the leadership of the CPCZ, with full participation of organizations of the National Front.

Our socialist state and society which provide care for children and youth have created favorable material, sociopolitical and legal conditions for their healthy development, education, employment and wholesome enjoyment of their free time.

The basic duty of our youth is to develop its abilities, to perform useful work, and gradually to assume responsibility for the fulfillment of social obligations.

Social involvement of young people is encouraged particularly by the Socialist Youth Association and its Pioneer Organization which represents the interests of our youth, as well as by our socialist self-management and other forms of socialist democracy.

To ensure and develop opportunities for the involvement of children and youth in our society, to protect them, and at the same time, to provide a unified base for legalization of the position and protection of children and youth, the following law shall be adopted.

Fundamental Principles of State Policy for Child and Youth Care

Principle No 1

In accordance with the concept for the development of socialist society, the state shall focus its policy concerning children and youth on the creation of the following conditions:

- application of children's and youth's initiative in the solution of state and public affairs;
- focus of attention on youth's social needs and their satisfaction in accordance with the growth of the economic potential of the CSSR;
- expanded participation of youth in the fulfillment of economic tasks and in the management of the process of production;
- introduction of children and youth to life and to the work process, especially in the areas of family life and material security in a manner that agrees with their interests and with national needs;

- comprehensive and harmonious development of the personality of children and youth, particularly in terms of health care, education, cultural enrichment, enjoyment of leisure time, prevention of negative influences and their eradication;
- development of activities of children's and youth organizations.

The initiative of state agencies in ensuring a wholesome physical and mental development of children and youth is based primarily on guaranteed education and training of children and youth, social and housing needs of youth, availability of job opportunities and development of labor initiative of youth, introduction of children and youth to R&D, opportunities for the enjoyment of free-time activities by children and youth, including protection of children and youth from negative phenomena.

Principle No 2

In order to implement state policy for child and youth care:

- the highest representative bodies shall discuss fundamental issues of the state policy on child and youth care in the following areas: social and housing, creation of opportunities for the development of work initiative of youth, education and training, introduction of youth to R&D, wholesome conditions for the development of children and youth, and protection of youth from negative effects;
- in agreement with central committees of the SSM, the government of the CSSR and the governments of both republics shall adopt programs for implementation of fundamental principles of state policy on child and youth care;
- other agencies and organizations shall conduct effective social work for the benefit of children and youth as one of their principal duties.

Principle No 3

As part of the National Front's election programs national committees will draft unified programs for child and youth care. National committees will organize counseling agencies composed of deputies and other members nominated by public organizations. According to the type of expertise of these agencies, at least one-third of their membership must be composed of youth under 35 years of age. These agencies will prepare the groundwork and discuss relevant issues concerning the implementation of state policy on child and youth care.

Principle No 4

In the sector of care for children and youth the state administration will act within the competence of agencies established pursuant to constitutional laws and to the laws of the Federal Assembly, of the Czech National Council, and of the Slovak National Council.

Principle No 5

SSM organizations have the right to supervise the implementation of laws and other legal regulations, and request information from the officials in charge of agencies and organizations who have the obligation to present the required information.

Principle No 6

For serious decisions that concern vital issues of the life, work and needs of youth, the opinion of the appropriate SSM agency must be sought. This pertains above all to drafts of legal regulations, collective contracts, school curricula, comprehensive housing construction, environmental and other matters amended by other legal regulations.

Principle No 7

To implement the state policy on child and youth care, above all:

- joint discussions will be held by state agencies and managements of economic, cooperative and other socialist organizations with appropriate SSM agencies;
- agreements will be contracted between state agencies, state enterprises, agencies of other socialist organizations with agencies or organizations of the SSM on every level;
- joint task forces composed of representatives of the SSM and of state agencies and organizations will be appointed wherever necessary for the achievement of set objectives.

Principle No 8

Special-purpose funds for the implementation of the state policy on child and youth care may be set up on individual levels.

Grounds:

The proposed principles of the law reflect, above all, the fundamental directions of state policies in relation to children and youth. These directions are aimed at the creation of conditions for a successful comprehensive development of the life of children and youth especially in sociopolitical, economic, production, personal and family areas as well as for the creation of opportunities for a comprehensive development of the personalities of

children and youth as regards their health, cultural development, wholesome enjoyment of their free time, and their protection from negative phenomena.

An important task of the law is to determine methods of implementation of state care for children and youth. As the pivotal form the law envisages the fulfillment of this task by representative bodies, executive agencies of state power and all public organizations.

In agreement with the legislative changes in the system of ministries of the republics, the draft of the law considers, above all, appropriate ministries of education, youth and physical culture as part of the system of agencies in charge of the administration of state policies concerning children and youth.

It appears appropriate to introduce the option that SSM agencies and organization control the fulfillment of laws and other legal regulations stipulating state policies concerning child and youth care.

Furthermore, the draft of the principles of the law presumes a stipulation which will obligate state authorities to learn the standpoint of the SSM agencies on decisions made by state agencies and affecting the life of children and youth.

In conjunction with some of the amended methods of cooperation of SSM agencies and organizations with state agencies, the methods of implementation of state policy on child and youth care, among them regular joint meetings, social and state contracts and other forms of cooperation, have been facultatively amended.

Conditions necessary for a comprehensive development of youth initiative and activity and for the fulfillment of state policy on child and youth care and of programs of the youth organization will be provided, including appropriate forms of material incentives to stimulate young people to achieve the best possible results. Special-purpose youth funds will be created and utilized to provide advantageous material incentives for the fulfillment of the objectives of our state policy on child and youth care.

Part One

Youth Participation in the Administration and Development of State and Society

Principle No 9

Youth shall participate in public life:

- directly, mainly by taking part in general national discussions, public meetings and assemblies, in elections to representative bodies, and by serving in official capacity;
- indirectly, by the mediation of deputies to representative bodies;

- through the SSM and other public organizations;
- through self-managed agencies.

Principle No 10

The Socialist Youth Association as a unified voluntary public organization will represent the needs and interests of children and youth.

Principle No 11

In conformity with their position, public organizations of the National Front will contribute to unified education aimed at wholesome development, organization of comprehensive youth activities, and satisfaction of the economic, social and cultural needs and interests of our youth.

Principle No 12

SSM agencies and organizations have the right, in particular, to propose candidates for deputies of representative bodies, people's justices, members of audit agencies and election commissions, of task forces at national committees, and of other self-managing agencies.

To coordinate the representation of youth interests and to upgrade its efficiency, SSM agencies will organize action groups of young deputies in representative bodies.

Principle No 13

The SSM shall nominate its candidates to self-managing bodies of socialist organizations.

Principle No 14

Students of elementary and secondary schools constitute a student body which takes part in the administration of school programs through the SSM organization and its Pioneer Organization. The rights and duties of the student body will be stipulated by generally obligatory legal regulations.

Principle No 15

College students constitute a student body which takes part in the programs and administration of institutes of higher learning either directly or by mediation of the SSM organization. The law stipulates the rights and duties of the student body as concerns its participation in the programs of institutes of higher learning.

Principle No 16

SSM organizations have the right to call attention to those decisions issued by executive agencies of national committees or by executives in charge of organizations that unfavorably affect the living conditions of children

and youth, and to propose that such decisions be forwarded to the plenum of national committees or of the agency authorized to make final determination.

SSM organizations have the right to address complaints, recommendations and proposals concerning the life of children and youth to representative bodies, agencies of state administration and to the leadership of socialist organizations which must inform the appropriate SSM agency or organization within 30 days about their decision.

Principle No 17

Central SSM agencies have the right to address representative bodies and central agencies of state administration with their proposals of drafts of new laws or amendment of current laws and of other legal regulations. The agencies to whom such proposals are addressed must study them and inform SSM agencies about the decision concerning their proposal.

Principle No 18

Certain SSM agencies are authorized to submit to state agencies proposals for awards and other forms of recognition primarily of citizens who distinguished themselves by developing public initiative as regards children and youth, and furthermore, of young people who attained significant accomplishments in their work, sciences, arts and sports.

Grounds:

The main purpose of Part One of the draft is to determine the position of youth in the sociopolitical system of the CSSR, and to comprehensively support the potential of the share of youth in public life. The definition of the forms of young people's direct and indirect involvement in the development of political initiative serves this purpose. By the same token, the draft represents also a platform for comprehensive participation of youth in the development of the forms of socialist self-management.

The position (and the place of the Pioneer Organization of the SSM) in the fulfillment of these tasks is determined in accordance with the envisaged political responsibility and pivotal status of the Socialist Youth Association in young people's unified political activities.

While emphasizing the SSM's political responsibility, the draft does not disregard the co-responsibility of other public organizations in unified education and in the development of comprehensive activities of children and young people.

Furthermore, the principles of the law will open a wide space for the application of proposals of the SSM and of other sectors of the National Front in elections to state, public or self-managing offices.

In conjunction with the new laws on state enterprise and on cooperative organizations, which promote the idea of socialist self-management, the law envisages appropriate youth representatives in such self-managing agencies.

The draft envisages fundamental new opportunities for students of secondary schools to express their opinion concerning the educational and training process in secondary schools and other issues.

The draft defines the form of student participation in the administration of departments and institutes of higher learning, in order to provide more opportunities to gain experience and feelings of responsibility for the fulfillment of tasks of our educational institutions.

The development of political initiative of youth and the SSM will also be promoted by the established right of SSM agencies and organization to call attention to decisions by certain state agencies or their executives, that untowardly affect the living conditions of children and youth.

The principle provides opportunities in the entire system of state rewards for higher rewards to citizens for their outstanding performance or achievements in conjunction with their significant initiatives in the development of living conditions of children and youth.

Part Two

Participation by Youth in the Development of National Economy

Principle No 19

Youth plays an active part in the fulfillment of economic tasks and in the administration of the process of production. Together with the administration of agencies and organizations, the Revolutionary Trade-Union Movement and other public organizations, the Socialist Youth Association facilitates the realization of the creativity and initiative of youth in socioeconomic programs of organizations.

For that purpose, collective forms of material incentives are promoted and organized; conditions for the participation in socialist competitions by young people and their teams, and more efficient public control of production, distribution and consumption are introduced.

Principle No 20

In order to utilize initiative and creativity of youth, organizations will have opportunities to organize and employ youth work teams, youth brigades of socialist labor, youth workplaces, businesses and shops, to organize youth construction projects, and to accept the sponsorship of the SSM.

On the basis of agreement with the economic leadership, labor teams of youth will express their initiative by pledging to fulfill planned tasks on their level, and to be responsible for their completion.

The managers will encourage the initiative of young employees by assigning independent tasks to youth labor teams and to individuals. They are responsible for prompt implementation of initiative proposals aimed at more efficient fulfillment of assigned tasks and at improvement of work conditions, and will reward their implemented proposals.

Principle No 21

Agencies and organizations will establish cadre, financial, material, space and information bases for scientific and technical projects of children and youth.

Managers will assign to young employees tasks from R&D plans, and hire experienced professionals to help young people fulfill such tasks.

Principle No 22

In cooperation with the management, SSM agencies will establish the Council of Young Scientists and Experts in organizations where conditions for the activity of young scientists and experts exist.

The Council of Young Scientists and Experts will:

- recommend that young scientists and experts who achieved excellent results in their work be promoted, receive pay raises, and be included in scientific or other professional training;
- help re-train young scientists and experts, and upgrade their qualification in related fields;
- ensure that the specialization and qualification of young experts are utilized in accordance with their specialization and education obtained in institutes of higher learning or in secondary schools.

Principle No 23

In cooperation with the SSM, the Revolutionary Trade-Union Movement and the Czechoslovak Scientific and Technological Society, agencies and organizations will organize competitions of skill in appropriate fields. By agreement with the SSM agencies, organizations will send their young employees to such competitions and provide the necessary financial and material funds for such competitions and reward victorious teams and individuals.

Principle No 24

Organizations involved in international socioeconomic integration will propose specific projects to SSM organizations and youth labor teams which will contractually guarantee their fulfillment.

Organizations will promote cooperation of youth from partner enterprises and delegate young experts to assignments, seminars, congresses, etc., to upgrade their training, exchange experience, and learn and apply the latest achievements of science and technology.

Principle No 25

To expand young people's participation in national economic management, organizations will acquaint young people with their operations, inform them about achievements of their programs, particularly as concerns young people's justified interests in their work, wages and life;

- they will assign tasks to be fulfilled with the participation of young people;
- they will discuss with SSM agencies fundamental issues to improve the socioeconomic, living and working conditions of youth.

SSM organizations and agencies will express and submit their positions on planning documentation, particularly on final reviews of the fulfillment of the plan.

Principle No 26

An indivisible part of public control in organizations is audited by the SSM organized in close cooperation of the people's control agencies.

In cooperation with agencies of socialist self-management, the management of organizations will render effective support to audit by the SSM and offer its activists all cooperation needed for the audit.

Principle No 27

The Socialist Youth Association will protect the rights of children and youth to a wholesome environment.

In this context the Socialist Youth Association will:

- teach children and youth respect for the environment and involve them in environmental protection;
- pursue and enforce environmental protection in programs of concerned agencies and organizations;
- submit appropriate proposals and request information from managers of agencies and organizations.

Principle No 28

Managers of organizations shall not penalize officials of the Socialist Youth Association and its activities for performing their duties and use any means that may be detrimental to them.

Appropriate trade-union agencies, particularly when granting approval to organizations prior to the termination of employment of such an official [of the SSM], will ascertain with that official whether the proposed action is not punishment for the performance of his function.

Principle No 29

Enterprise and economic organizations established by the SSM have the right to engage in foreign trade focusing on the consolidation of our country's economy, on the fulfillment of international economic and R&D programs, and on introduction of advanced technologies. The method of management of foreign trade and its forms is subject to the regulations in force.

Grounds:

In conjunction with the restructuring of the economic mechanism, the purpose of the proposed draft is to set up a legal base for the authority and competence of the Youth Association as the representative of the young generation in its integration and specific participation in socioeconomic relations. The objective is to define specific forms for the involvement of youth, its activity, creativity and initiative in the work for the fulfillment of tasks assigned to the enterprise or cooperative. Young persons constitute more than one-third of all employed citizens, and are the resource of highly skilled workforces and the springboard for the further development of national economy.

Both the existing and the planned changes in our economic system in the framework of the restructuring demand individual approaches to individual forms of initiative developed by young people. The legal grounds for the principle of assigning independent tasks and negotiating contracts for their fulfillment strengthen direct participation and personal interest of every young employee in the achievement of the best possible economic results in his or her workplace. Practical application and acceleration of R&D achievements demand adequate knowledge, information and practice when using modern technology and the latest technological processes. The principle which respects this demand provides necessary preconditions for youth involvement and by the same token, stipulates the obligation to assign specific R&D tasks to young people. This enhances the recently established Council of Young Scientists and Experts. To foster the interest of the generation of young

workers in their chosen vocation, the method of competition which has proved successful observes such principles as joint competition, exchange of experience, comparison of accomplishments, and naturally, also achievements of higher outputs.

To raise direct initiative and participation of youth and its organization in the management of the process of production, it is imperative to define mutual rights and obligations in this area and to stipulate the tasks of control by the SSM. Protection of SSM functionaries in the fulfillment of their duties may help promote involvement and initiative of the SSM members.

Young people are quite understandably focusing their interest on the environment in which they live. Therefore, the newly introduced right provides for control of and direct participation in the solution of problems concerning the environment and the workplace, particularly in the conditions of individual organizations.

Intensified economic integration entails in itself the need to widen the exchanges of economic as well as scientific and technical information. An accelerated economic development demands guarantees that young employees may adopt the latest information and simultaneously, it implies the duty to utilize such knowledge in their daily work. The point of departure is previous experience from exchanges of young experts, for instance, with the USSR.

Organizations established by the SSM will be granted licenses to engage in foreign trade, which at the same time will help improve the economic base of our youth organization; it will bring specific advantages from adopted and applied foreign achievements and also open the opportunity to enrich our domestic market with needed goods and services.

Part Three

Development of Living Conditions of Children and Youth

Principle No 30

Care for a wholesome physical and mental development of youth is the fundamental duty of the socialist state. State agencies will provide conditions for such care in families, school, labor teams and public organizations. In that they will closely cooperate with public organizations, first of all with the SSM.

Principle No 31

The family is the initial social educational environment which shapes the personality of a child or a young individual. It is the duty of state agencies and organizations to help with all legal, material and ideological means to stabilize the family so that it may fulfill its reproductive and nurturing functions.

Principle 32

In the framework of unified state care for national health, special health care focused on prevention, therapy and counseling will be organized for individual age categories of children and youth.

Handicapped children and youth will receive special protection. State agencies, economic organizations and institutions are obligated to provide equal conditions for their education and training, to prepare them for their future vocations and to involve them in the work process and in the public and cultural life according to their abilities and skills so that they may become integrated in our society in the best possible way.

Principle 33

In the interest of an uninterrupted moral and physical growth of children and juveniles under 18 years of age, state agencies may:

- prohibit their assembly in locations, or their participation in productions, which are unsuitable for their further moral and ethical development (visits of certain restaurants, bars, clubs, public dances, films, public game halls);
- limit the sale or the lending of books, cassettes or videotapes, etc., which may impair their moral development;
- ban smoking in public areas and in locations where youngsters congregate;
- adopt additional measures to foster their unimpaired moral and physical development.

Principle No 34

Every person has the right to education and to a free choice of vocation with regard to his or her abilities and knowledge, and in accordance with the interests and capacities of our society. Interest in individual fields of study is subject in particular to non-administrative methods.

Principle No 35

Schools and educational institutes serve at the same time as central points in the life of children and adolescents during their free time; they provide a base for the pursuit of hobbies, for the fulfillment of the needs and avocations of children and youth, as well as curricula, forms and methods of education and training.

Principle No 36

Every person has the right to spend his or her free time as he or she wishes, so long as it does not contradict legal regulations or interests of our society. State agencies and organizations must protect the free time of youth from any arbitrary abridgment.

Principle No 37

State organizations on every level, particularly the national committees, shall provide all necessary legal, material, cadre, organizational, etc., conditions for comprehensive free-time activities of youth. They will, above all, see to it that material funds designated for the pursuit of hobbies be used preferably to the benefit of groups of youth without their own income from wages.

Principle No 38

Officials and organizations shall ensure for youth a broad range of recreational opportunities and tourism, including international exchanges, tourism and travel.

Principle No 39

Mass communications media (television, radio, film, etc.) will pay special attention in their activities to the interests, needs, education, training and entertainment of the young people. They will discuss with appropriate SSM officials their programmatic concepts and plans in this area.

Principle No 40

Social initiative of youth is reflected also in its participation in the development of our national culture, mainly in the form of the development of young people's own cultural activities. Youth has the right to express its views on the use of funds designated for culture benefiting the young generation.

Principle No 41

The state will establish a unified system of social prevention of negative phenomena among our young generation. That system includes institutions which train endangered or afflicted young people, offer counseling to children, youth and families, and provide diagnostic services, including prevention. Counseling will focus mainly on preparation for marriage and parenthood, and on health education. Youth organizations will share in this program, primarily by identifying endangered or afflicted individuals, and as far as possible, assist in their rehabilitation.

Principle No 42

The governments of both republics will organize and supervise the management of an effective educational system that will prepare young people for marriage,

conscientious parenthood, and wholesome and responsible sexuality; it will include counseling for individuals, partners, married couples, and parents.

Principle No 43

In its application of penal laws, our socialist state considers the need of special protection of children and youth. Punitive proceedings will apply and develop effective protection of the rights and legitimate interests of youth, and increase the corrective purpose of punitive actions.

Principle No 44

The program of state care for children and youth includes measures for the protection of children and youth from negative phenomena. These measures represent a system of political, legal, organizational, educational, cadre, material and technical tasks and their consequences for operations of state agencies, public, economic and cooperative organizations aimed directly or indirectly at the elimination of factors causing or influencing antisocial expressions of children and youth.

This represents a set of specific tasks and methods for coordinated and thoroughly controlled preventive measures which are appropriately correlated for individual departments and which will be systematically applied by agencies, institutions and media, against socioeconomic and organizational phenomena that may negatively affect the moral and spiritual development of children and youth, and against conditions and causes that lead to such phenomena.

Principle No 45

The central agency specified in Principle No 4 will be accountable to the government of the CSSR and to the governments of both republics for the planning, regular supervision and coordinated implementation of the set of measures, for coordinated research of negative phenomena that endanger the moral and mental development of children and youth, for regular reevaluation of adopted measures (regular annual reviews, overall assessments when drafting a new set of measures), and for prompt notification of the government of the CSSR or to the governments of the republics about the shortcomings in the cooperation with other ministries and about the deficiencies in the implementation of assigned tasks and programs.

At the same time, it will proceed in close cooperation with the SSM Central Committee, the Czech Central Committee of the SSM, and the Slovak Central Committee of the SSM.

Principle No 46

Other central state agencies and central authorities of public organizations:

—will cooperate with the central agency specified in Principle No 4 in the planning and implementation of

such measures, particularly by sharing their information and experience with the effectiveness of current measures, by offering recommendations for their updating and suggestions for measures to be adopted against negative phenomena newly appearing in society and their conditions and causes;

—in their competence they will implement tasks and programs stemming from the set of measures, and for that purpose, they will include these tasks in their own planning documentation; at least once a year they will review their fulfillment and inform the central agency specified in Principle No 4 about its results;

—take an active part in overall reviews in conjunction with the planning of a new set of measures.

Principle No 47

They will coordinate tasks and activities ensuing from the set of measures for the sectors of appropriate national committees in krajs and okreses.

In addition to the set of measures, national committees, in cooperation with other state agencies and public and economic organizations, may adopt their own measures and procedures according to local conditions and needs.

Principle No 48

Young people who completed mandatory schools attendance or graduated from secondary schools or colleges, or who fulfilled basic military service, and who are about to enter their first employment, will be given special protection, which is in particular the purpose of the following:

—negotiations and completion of a trial period of no more than one year, its assessment and according to its result, appointment to a job (office);

—guarantee of the entry-level pay for the term of the trial period according to study achievements in secondary school or college;

—compliance with the demand that the trade union department request the advice of the SSM organization before it approves dismissal or immediate termination of employment.

Principle No 49

Young people may assume legal labor relations when they become legally qualified to enter the work process. Prior to that, they may in exceptional cases work in jobs:

—that are part of training for a profession, especially in production, or if that particular work benefits society;

—in arts (for instance, training of children for artistic performance, children's participation in theatrical productions, etc.), but only with the approval of competent authority in the community where that individual attends school, and under the conditions stipulated by that authority.

Special working conditions are guaranteed for youth employed in such jobs.

Principle No 50

The principle of wages according to the amount, quality and social significance of work shall not be violated by paying young people for their work wages reduced because of their age.

Principle No 51

Employees entitled to only 3 weeks of regular vacations and recuperation in one calendar year will be entitled to 5 additional workdays for special vacation when they marry for the first time.

Principle No 52

In agreement with the intention of this law, the right to preferential assignment of housing is guaranteed to young couples married for the first time and taking an active part in the building of our socialist society.

Grounds:

A comprehensive, wholesome development of our youth determines the continuity of generations and young people's preparation for their life and work in our socialist society.

The family is the primary environment for young persons' social maturation. The quality of the family environment and of family relations is the determining factor for the development of the character and talents of the young generation. An important role in this area is entrusted to the state and to organizations.

The rising number of handicapped children and youth demands more attention of our society, state agencies and organizations. This is evident, above all, in the integration of such persons in work and public life. The legal regulations in force do not sufficiently obligate appropriate agencies and organizations to provide this assistance which is not adequately guaranteed.

Successful education of children and youth may be seriously damaged by learning that is unsuitable for their age. It is, therefore, desirable to invest in competent agencies the authority to ban certain forms of youth participation in public and cultural events.

The right to education is one of the CSSR citizens' basic rights. However, its constitutional enactment has been distorted in practice by several administrative measures which were blamed on economic considerations. Elimination of such shortcomings is a vital political demand of our young generation.

Comprehensive education demands that schools and educational institutes fulfill also the role of a vital center in the free time of children and youth. In this respect the material and technical base of schools and educational institutes must be used to a greater extent for the pursuit of hobbies by children and youth.

Furthermore, it is emphasized that our state agencies and organizations have an important duty to protect the free time of youth from arbitrary curtailment and at the same time, to contribute to its beneficial and responsible enjoyment. Some free time may serve as an opportunity for recreation, tourism and international youth exchanges.

Mass communications media, especially their programmatic concepts, among other things, will also help promote to a greater extent the interests of children and youth. Moreover, youth must be able to participate in the creation, distribution and enjoyment of all cultural advantages of our society.

Our state pays special attention to afflicted and endangered youth. Social prevention must be organized for these young people as a system with all-around effects and eliminate the duality evident in current programs for the prevention of negative phenomena. This system must ensure the necessary coordination of preventive actions by individual organizational sectors of the system. Youth organizations and other organizations of the National Front as well must play a significant role in the system of prevention.

The shortcomings in the stability of the family and the impaired relations between parents and children call for public authority to replace the natural influence of the older generation. Therefore, an effective system of preparation for marriage and responsible parenthood is necessary.

Our socialist state takes steps to limit and suppress social phenomena which exert negative influence on the moral and spiritual development of children and youth. An extraordinary emphasis is placed on the protection of the family and youth from criminal acts, on more effective punitive actions against juvenile delinquents for corrective purposes, and on more intensive training in institutions that replace the upbringing in the family.

The set of measures for greater protection of children and youth from negative phenomena will constitute part of the program of state care for children and youth. This program will update, among other things, the tasks and

operations of state agencies and organizations in response to the already existing and incipient negative social phenomena, their causes and conditions.

All agencies and organizations which constitute the above-mentioned system of social prevention must conscientiously participate in the planning, supervision and fulfillment of these measures. The role of the coordinator overseeing the operation of the whole system is entrusted to the central agency specified in Principle No 4.

For appropriate placement of the young persons who completed their studies, professional training or compulsory military service and who are starting their first employment, it must be stipulated that it is the employer's duty to negotiate with the employee the trial employment usually for a period of 6 to 12 months. During that period the organization should test the employee's skills, knowledge and ability to perform the agreed-upon duties. The organization may decide on wages commensurate to the employee's study record. In order to underscore the role and authority of the SSM as the representative of young employees of the organization, it is recommended that before trade-union officials approve dismissals from employment or its immediate termination, they seek the advice of the SSM organization.

Involvement of youth in cultural and public events includes participation in amateur arts. This involvement must be made part of an appropriate agency, for example, the school board at the national committee, because the area of legal labor relations which develop in such situations is not defined in the labor code.

By the same token, the agency in charge should individually stipulate conditions under which the activity in question will be conducted. It will proceed from Article 8 of the agreement of the International Labor Organization No 138/1983 on the minimum permissible age for such work.

The socialist principle that wages be paid in accordance with the amount, quality and social significance of the work performed meets the demand of social justice. It is impermissible to violate this principle only because of the age of young employees, assuming that they perform well all the duties of their work. For that purpose pertinent wage regulations must be amended and requirements of a certain age limit must be stipulated only as a recommendation.

To ensure greater stability of young marriages, to enable them to deal better with their initial problems when furnishing their own household, and to follow the trend toward an extended vacation time, additional vacations are proposed for employees whom the labor code does not entitle to more than 3 weeks of leave and who are getting married for the first time. Due to the difficult housing situation, it is proposed that preferential entitlement to housing be granted in accordance with social needs.

Part Four

General and Summary Regulations

Principle No 53

In the sense of this law, citizens of the CSSR who are under 35 years of age are regarded as youth. According to the nature of the matter, the term "youth" encompasses children's age groups, if not otherwise specified.

Principle No 54

Any violation of employees' duties stemming from this law for the participation of youth in the administration, planning and oversight of operations of the organization is regarded pursuant to special regulations as violation of labor discipline.

Grounds:

State policies on care for children and youth apply to all age groups of citizens of the CSSR who are under 35 years of age, and include special needs of certain age groups of the young generation (juveniles) to whom also special legal regulations apply.

The law contains sanctions providing for personal accountability pursuant to special regulations.

Youth Draft Law Offered to Public for Discussion
24000120b Prague RUDE PRAVO in Czech
31 Mar 89 p 2

[Article by (kj), special correspondent of RUDE PRAVO: "Draft of Youth Law Submitted for Public Discussion"]

[Text] Following a draft of its programmatic document, the presidium of the SSM [Socialist Youth Association] Central Committee, upon the recommendation of the CPCZ [Czechoslovak Communist Party] Central Committee's Commission for Work With Youth, recently presented another, no less important document. The draft of the principles of the Law on State Policies for Child and Youth Care was published last Thursday in MLADA FRONTA and in SMENA. Legal experts and youth work specialists who participated in its drafting applied also experiences of certain socialist states that had already adopted analogical laws.

The document outlines basic directions of the state policy on care for children and youth, which will foster their healthy development, especially in sociopolitical, economic and production areas and in their personal and family life, and create preconditions for a comprehensive development of their personality and for wholesome enjoyment of their free time, and protect them against negative phenomena. The proposed law encouraged the SSM agencies and organizations to express their opinion concerning relevant decisions related in their essence to young people's life, work and needs.

At the same time, the submitted document defines the position of youth in the sociopolitical system of the CSSR and promotes all-around opportunities for the participation of our young people in public activities. This is enhanced by the stipulation of methods of our young people's direct and indirect influence on the fulfillment of our policies and their participation in socialist self-government. While emphasizing the SSM's political responsibility, the draft does not ignore the joint responsibility of other public organizations for a unified educational program and for the development of multiform activities for children and youth.

In conjunction with the restructuring of the economic mechanism, the proposed formulation represents a legal ground for the authority and competence of the Youth Association as the representative of our young generation in its involvement and specific participation in our socioeconomic relations. After all, young people (citizens up to 35 years of age) compose more than one-third of our employed population, a basis of highly skilled workforces, and the course of the further progress of our national economy! For that reason the draft contains such principles as assignments of independent tasks to young people in the form of contracts and agreements, which, together with the principle stipulating that wages cannot be reduced because of a person's age, will strengthen every young worker's personal interest in the achievement of the best possible economic results. In conjunction with young people's involvement in the work process, the document also refers to relations that are not defined in the labor code.

Among new factors of the proposed legal amendment is the opportunity for high-school students to express their opinion about the process of education and training and about other issues. Furthermore, it formulates students' participation in the administration of departments in colleges and universities, which should generate above all a feeling of greater responsibility for the fulfillment of the tasks of educational institutes.

The development of political activity of youth will be encouraged also by the right of the SSM agencies and organizations to call attention to decisions issued by state authorities and their top officials that may unfavorably affect the living conditions of children and youth.

The document sees the family as the basic environment for social maturation of a young person, and regards the quality of the family environment and family relations as a major factor determining the growth of the character and skills of our young generation. By the same token, an important role is entrusted to the state and organizations, including those that enable children and youth to pursue hobbies and those that offer opportunities for recreation, tourism and international youth exchanges.

The presidium of the SSM Central Committee invites our young people and other citizens to publicly discuss the submitted proposal, which undoubtedly is an important part of the draft of the Law on State Policies on

Child and Youth Care. It should prove that the main direction of the principle is correct, that its individual regulations are appropriate, and that in its essence, the proposed amendment is comprehensive.

Party Leaders Report to 13th Plenum

Otto Liska

*24000128 Prague RUDE PRAVO in Czech
3 Apr 89 pp 3-4*

[Report by Otto Liska, leading secretary, CPCZ East Bohemia Kraj Committee]

[Text] The presidium of our kraj committee, in accord with the approach of party officials and organizations to the experimental verification of the principles of socialist self-management by work collectives and elections of directors, is regularly engaged in facilitating the elections of self-management officials and directors. In this connection we evaluate the political situation in work collectives, the procedures of party organizations and officials, work of the institutes, etc.

The preparations to date and the course and the results of elections have so far not brought in the benefits which we expected. Particularly in mobilizing the forces of the work collectives and bringing faster changes in the economy. Also, the planning and participation by people in the elections do not generate a heightened interest in the affairs of the enterprise and particularly of the nation.

The preparations for the elections, everything connected with them, is intolerably expensive, and communists as well as nonparty people express concern about future work with the cadres and about implementation of party policy. Experiences in our region show that those functionaries who pushed and are pushing national interests and needs for developing socialism and are exemplary workers, as a rule receive more negative votes in the elections, and to a considerable degree only those who embrace the so-called popular issues are elected. Finding themselves in a similar situation are also some chairmen of basic party organizations in the elections of delegates to the assembly and particularly of members to the councils of work collectives. The institutors, too, often do not act responsibly in the elections. Some even break the principles of cadre work, and in the work collectives they discuss the candidates for the elections of the directors as if it were a done and concrete thing, without the party official having the opportunity to consult with the workers and without expressing his opinion or position.

Thus far, then, the course of the elections shows, among other things, that there are political losses, and that doubts are cast on the leading role of the party as a whole. There is a loss of morale not only on the part of

those who were not elected but also of those who went through the preparations for the elections. It manifests itself in political mistrust of one's own ability, in the ability of the party.

Experiences gained from the course of the elections in work collectives thus far reveal unresolved questions, and also that suggestions passed on to the center were not used at the time the law on state enterprise was being drafted. Similar problems are now beginning to appear in connection with, for example, the drafting of the laws on railway transportation and macroeconomic planning. Nobody as yet knows the proposals and at the same time they are to go into effect beginning 1 July 1989.

Members of the presidium of the kraj party committee recommend that for the second and third stages of elections in the economic sphere the election rules be modified, using suggestions and experiences gained in practice. And not to issue directives insisting on more candidates and on the conduct of the elections. That should be up to the given collective and the election code it approved based on valid general principles and laws. It is necessary to clarify the interpretation of the election mechanism, where there have occurred illogical machinations with the number of votes. For example, delegates who are not present are counted as votes against, etc.

After concluding the elections of the directors and councils of work collectives for this year, we recommend making a comprehensive evaluation by the highest party agencies of the benefits, losses, and results in all their connections.

A few words on the school policy of the party. The extensive connections of education have already projected themselves into the work of the East Bohemia Kraj Committee of the party following the 7th and 9th and particularly the 10th Plenum of the Central Committee. We charged communists working in education with a task—to give students better preparation for applying themselves in practical life under the conditions of restructuring and democratization. That will require a change of approach not only in the content of the educational process but also in the forms of its realization. Observations from the research into the more than 100 party organizations of basic and high schools show that shortcomings still persist not only in forming the world-view, political, and moral qualities of the students, but also shortcomings in the specialized, pedagogic-psychological preparedness of the teachers, including their political maturity.

In their activities, creative approaches, and responsibility we see the key to the resolution of the problems and shortcomings in every school. Therefore, since the fall of last year the party agencies in the kraj and districts have been organizing an open dialogue in teacher and student collectives on the topical questions of party policies and the contribution of young people to the restructuring. We are all doing some hard thinking about the personal

example of the teacher, the master of technical training, and the pedagogue. In the districts the roundtables are attended by secretaries and members of elected party agencies, functionaries of national committees, pedagogues, and other workers. We find that most young people are interested in civic issues, but that their knowledge of history is lacking considerably, they often mistrust the media, they are disoriented by the lack of unity in the influences of schools, family, work collectives, and social organizations. All that leads us to the conclusion that the uppermost and at the same time the most difficult task of the schools during the time of restructuring must be seen in proper upbringing. Respect for values which were created in the past, for the socialist fatherland, creating and strengthening an honest human relationship with fellow students, teachers, parents, and older people. That will not be accomplished by mere book learning or memorizing of quotations. Every day we learn that the quality of each school depends primarily on the quality of its principal. Therefore we are placing increased emphasis on cadre issues, political leadership of the teaching staff, and on increasing the authority of the lower levels of management.

To the newly created departments of youth and physical education in the Department of Education of the Kraj National Committee we gave the task of ensuring a comprehensive care for young people and physical education, particularly a purposeful and socially beneficial use of free time by children and young people. The network of pioneer and youth homes and other facilities must, of course, play a much more significant role. The CSR Ministry of Education, Youth, and Physical Education in cooperation with officials of the Union of Socialist Youth must resolve as soon as possible the still existing lack of clarity in the division of functions and activities of individual grades of the pioneer and youth homes.

In the kraj we have four civilian and one military college. They have their specifics, which are determined by their orientation, but they also have some generally known common problems. It is still difficult to effect a strengthening of the college professorial staff by bringing in specialists from practice.

In basic education, we are resolving two fundamental problems. In the first place, the professional qualification of teachers and the insufficient interest in teaching positions in the kraj and the districts. The greatest number of unqualified teachers is in the public art schools, schools for young people requiring special care, and intermediate training institutions. Correspondence study courses are even sometimes used to attain full qualification. The problem of placing graduates of teaching courses in remote locations can obviously be solved by offering those interested the possibility of obtaining an apartment and other social benefits. At the same time preference is given to outstanding graduates, which we consider to be one of the ways of combating mediocrity in institutions of higher learning.

Rudolf Hegenbart

24000128 Prague RUDE PRAVO in Czech
3 Apr 89 pp 3-4

[Report by Rudolf Hegenbart, head of Czechoslovak Communist Party Central Committee Department]

[Text] Following the initial, basically emotional unity of positions on the restructuring, there are now developing, which is natural, marked differences of opinion, but also groups with differing attitudes which are undoubtedly influencing the thus far mostly positive development. The extent and seriousness of these processes were to be expected, nevertheless they took not a few party agencies, organizations, and individual communists by surprise. It is the result of longtime, stereotyped views of the role of social sciences and theory as a whole. It is also the price paid for still having in many responsible positions in the central agencies people whose thinking remained in the past. I think that it is about time to take a stricter attitude toward senior officials who do not fulfill their required tasks, if we are to reduce to the minimum the shortcomings which are still occurring in social practice. From the standpoint of the restructuring, these recurring shortcomings will no longer be politically tolerable.

If today we are hearing words about new thinking, then in my judgment the new and intelligent thinking is above all knowledge, a great amount of knowledge based on the understanding of world sciences and all the necessary relationships. By understanding relationships and connections knowledge is multiplied, and from quantity evolves a qualitatively significant level. A person, who is to be of use to the social restructuring, cannot manage without such thinking. Otherwise the best of intentions will be of little use to him, and he will become an impediment. I ask myself: Do we have in responsible functions everywhere workers who think in the modern way, who apply creatively the necessary knowledge and qualifications, if the barriers in the departments still cannot be pulled down, if we are still talking about unfulfilled objectives and assumptions, about unused opportunities in the process of restructuring? According to my opinion, the heart of the problem is hidden in people who in their responsible positions do not show enough creative thinking and courage based on professional certainty about the correctness of their ideas. And at the same time, a senior official who possesses such qualities is a great asset for our educational process as well.

The force of a personal example stemming from excellent human activity should play an enormous role in shaping contemporary society. People, and that is a proven fact, are willing to accept a superior with such qualities. In the opposite case, however, they take him merely as a man under whose direction they have found themselves in their given life situation, and with whom they somehow have to get along. And that is not enough.

The implementation of the program for further development of the Czechoslovak educational system did not create the necessary prerequisites for the current stage of social development. Some plans did not meet expectations, some were not suitably developed. Our schools do not keep ahead of the requirements for greater responsibility and professional approach to work. Life itself undoubtedly demands the creation of a comprehensive and at the same time an open system of a lifetime education. Considering the time factor and the great inertia preventing the implementation of changes, it is highly desirable to begin in the shortest time possible.

What we do today can change the fate of many generations of our progeny. "Everything depends on good order," declared one of the teachers of the nations. I am mentioning this also because our educational system used to have a high level of quality and we have something to follow up on. It is not only our duty, but a question of honor as well, to maintain the progressive educational trends in our history. And to understand education unequivocally as the deciding factor of intensification of the further development of society at all levels. We can rightly agree on the idea that schools have a key role in shaping the overall educational level of the human potential as the basic and ever more important component of the national economy. It is thus essential to consider the invested resources as the basic, and for the nation most important, investment for development.

The trend is toward an educational system directed from one place and toward one goal, which in no way means a central or bureaucratic control. That one place cannot be reserved for anyone but the Ministry of Education, Youth, and Physical Education. Current, and especially future, needs require that this ministry become a guarantor of the state of education in society. It should apply all appropriate forms of control, from the direct, but not meaning a directive control of institutions of higher learning, to the methodic control of schools by way of the body of the national committees, to the influencing of the professional and pedagogic level of education outside of schools and of adult education. The argument, that I cannot guarantee something I do not control myself, does not hold. If the ministry is not successful with its indirect control, which, by the way, has almost disappeared from our society, but the restructuring very much expects it, then it can always turn to the collective controlling body, that is, the government. The ministry then can, in its role as the guarantor, comprehensively and systematically project, conceive, and plan the development of the entire system to be the provider of a lifelong process of education. But it also must coordinate, analyze, and control those processes.

I am leaning toward the opinion that a further democratization of education is essential. It is not only the question of everyone having access to education, much more than that is involved. The point is that everyone, in accord with the needs of society, should have the opportunity to get the kind of education which he desires and

which suits his abilities and expectations. In education we can demonstrate by using the principle of natural selection that socialism means equality of opportunity but not equality of application, and by no means equality of evaluation.

Our experiences thus far show that schools, and that includes schools of all levels, must be opened up to a full life again, that they must be made the centers of education and upbringing. Excitement and the art of debate and dialogue should prevail in them. It is possible to learn to think from childhood, to express oneself well and clearly, not to look for conflicts in controversies but for a way to competent solutions to problems, be able to defend one's convictions, and respect the personal opinions of others.

In this connection I cannot but mention the role of the teacher. Perhaps every one of us retains in his memory the names of those teachers whose personalities created the necessary atmosphere, where strictness prevailed but also respect for all human values. The question presents itself why it is not so today, when many measures have been adopted to enhance the prestige and standing of the teacher. To my mind, the reason for it lies in the inadequate assertion of the importance which society rightly ascribes to education and pedagogic work as a whole, and which then represents the basic motivation for young people to decide on engaging in this demanding profession.

The truth and the greatness of actions are determined by how the broad strata of people support it. The problems of education, with which we are dealing at this plenum, gives us the opportunity to persuade practically every one of our citizens, because it concerns everyone to some degree. People's education, upbringing, and qualifications, how they master the principles of technological and social development, how they will understand and fulfill their tasks, all that will determine the rate of the future progress of social restructuring and democratization.

The realization of so many expected changes here is not by any means just in the hands of the controlling and leading agencies. Our entire society must have its say, all citizens of the country. The most qualified cadres, having the knowledge which expresses the substance of the new thinking, must have an open path upward so that in the near future they can join in the process of directing. And also in order to replace those who were not and are not up to the tasks entrusted to them. But we cannot just talk, listen, and emphasize what will be needed sometime in the future. The need for changes is bound with a future so imminent that we must understand it as part of the present. The conceptual molding of our model of socialism should be the basis for the further development of the restructuring, and it is our duty to work out this concept in the most precise detail. That should prevent the repetition of what we witnessed in politics in the past—eliminate amateurism.

Taking an approach based on quality can only be to our benefit in the future. An opposite approach will necessarily be to our detriment, which carries a risk and which certainly is not our goal.

HUNGARY

Somogy County MSZMP Reformers Reject Political Persecution

25000216f Budapest NEPSZAVA in Hungarian
13 Apr 89 p 7

[MTI National News Service report on statement issued by the Somogy County Party Reform Circle: "No One Can Be Sentenced to Death for His Political Convictions"]

[Text] The published platform of the Somogy County MSZMP [Hungarian Socialist Worker's Party] Members' Reform Circle rejects the standpoint, still widely supported within the party, that denies the justification of action against the Rakosi regime, schematically simplifies the nature of the popular uprising which erupted in Budapest—it was indeed extremely complex, and bore also democratic and revolutionary features, among others—and brands the events of October 1956 exclusively as a counterrevolutionary rebellion by political and common criminals.

"It is particularly painful to observe the passion-charged controversy that has flared up once again over the person of Imre Nagy, a native of our county seat. It is indisputable that the mistakes and errors he made during the events ending in our national tragedy had extremely grave consequences. We, nevertheless, profess that, as an outstanding personality of the Hungarian communist movement and one of the charter members of the MSZMP, he deserves—over and above our final respect—an objective reassessment of his role, based on an impartial study of all contemporary documents which, hopefully, will truly become accessible in the near future, and with due consideration also for his merits," emphasizes the statement in which [the members of the party reform circle] dissociate themselves from the long years of reprisal after 1956, and from the methods of the unwarrantedly large number of prosecutions. They regard as necessary a review of all political trials, and the rehabilitation of all those whose guilt cannot be proven by the present standards of legal practice, regardless of whether the victims themselves have requested their rehabilitation. In the opinion of the party reform circle's members, the new constitution should declare that no one in Hungary can be sentenced to death for his political convictions and activity.

They expect, the statement reads, that these ideas will evoke the antipathy and anger of a significant proportion of the party membership. But they feel that ideological renewal, which has become for the party a matter of its very existence, can be forged only at the cost of tough intraparty debates.

"It is a peculiar historical paradox that the reformers within the MSZMP are obliged to share responsibility for plunging the country and Hungarian society into a crisis, with those who caused the crisis. It is difficult to tolerate that the beneficiaries of the past decades' results are making the present and future generations pay for the achievements that have proven to be utterly short-lived. The MSZMP alone is no longer able to assume responsibility for finding a way out as the economy and society head toward their nadir and bankruptcy. Therefore, it is willing to share also power to some extent, together with the responsibility. But at the same time the MSZMP wants to retain its leading role also within a multiparty system. This is entirely understandable from the viewpoint of our party. But it will be acceptable to society as a whole only if we are also willing to disclose the objective for whose realization we intend to use our retained share of power as a tool."

"As a clearly formulated and authentic program that defines socialism's fundamental values and incorporates both the strategy and the tactics, ideological renewal will be able to develop only in the wake of the different platforms' organization and open debate. If in these debates we are unable to create the hoped-for party unity, through compromises reached without having surrendered our principles, then we will have to bear the consequences of that failure as well."

"Also in that case we would have to avoid a break within the party that could cause unforeseeable damage. Instead of attempting to preserve the organizational unity that might be maintained for a time at the cost of unprincipled compromises, however, a 'divorce by mutual consent' that is the outcome of a controlled and managed political process, might be the honest solution. Eventually it could lead, along the points of mutual agreement, to cooperation and alliance among the representatives of various ideological systems that differ in their entirety but overlap in some of their details."

"In our opinion, at a time when partial elements of the party's ideological and organizational renewal are producing new quality in terms of both substance and form, the question necessarily arises of the need to change the party's present name. In itself the party's present name evokes mistrust in a significant proportion of the population, regardless of our program," the statement concludes.

Independent Jurists Reach Out to Other Independents

25000216b Budapest *MAGYAR NEMZET* in Hungarian 21 Mar 89 p 5

[Text of appeal by Forum of Independent Lawyers to Hungary's independent organizations: "Comprehensive Change a Prerequisite for Nation's Survival"]

[Text] I. No matter how tragic this may be for the peoples concerned and how painful for many honest individuals, and no matter how difficult it may be to

"admit to the past," in the nation's interest it must be said that the historical experiment launched on a grand scale in 1917 under the slogan of "building socialism" has failed under the burden of the challenges posed by the new technological revolution that has unfolded worldwide in the last decades of this century. The fact that, without exception, all the countries concerned have fallen behind the world's leading edge proves the impossibility of the task, rather than the ineptitude of the given leadership. Therefore a chance to close the gap can be created only at the cost of radical changes in our entire social, economic, and political system.

We must clearly realize that there can be no economic progress without restructuring the political relations that are hamstringing society and the economy. As the first step toward change, therefore, the political structure must be altered.

In our country's present situation, comprehensive change is already a prerequisite for the nation's survival. Therefore, a political turnaround will come sooner or later, with or without violence, but inevitably as a reflex of the nation's self-defense mechanism. Because the gap between us and the developed countries is widening with each day, there is no time for delay. But as long as there is the slightest hope for peaceful change, every thinking person and responsible political force must strive to ensure that the inevitable change occurs without the use of force.

II. It is certain that, one way or another, the Hungarian nation itself will carry out the complete transformation. Therefore, the conditions cannot be set by compromises concluded over the heads of the people, and society must be involved already in formulating the new rules of the game.

It is a bitter truth that living conditions will improve only after the political changes, as their transmitted effect. After the well-known historical antecedents, however, the Hungarian people will accept this only if they themselves formulate the conditions, either directly or through their genuine organizations.

It is a peculiar paradox that the laws, the very purpose of which is to dismantle the power structure existing at the given time, would have to be enacted within the institutional framework of that same power structure. It is the standpoint of the Forum of Independent Jurists that this will be possible only if the present National Assembly is replaced by a representative body.

We do not wish to evade the question as to whether there is any hope that the change essential to the nation's survival can occur without violence. We believe that there is.

The following appears to support our optimism: In the wake of the crises that developed from time to time during the system's 70-year history, the group that happened to be in power within the communist party may have criticized the "distortions," yet continued to present as indisputable the course of "building socialism" that the party had set. But now it is typical of the Hungarian crisis that not even the members of the power elite believe in the system's ability to function.

III. What can the independent political organizations and parties do in the interest of nonviolent change?

Everything possible must be done to accelerate the process of society's spontaneous organization. And within this, to accelerate the development of the given organization's or party's independent aspect, the propagation of its platform, and the growth of its mass support.

It is necessary to refrain from any political steps (for example: premature formation of a coalition with the power elite, one-sided concessions or sham negotiations) that could erode the given organization's credibility.

The unavoidable growing pains associated with personal feuds in the initial phase of organization must be overcome as quickly as possible, and the organizations' internal unity must be forged through principled compromises based on the identity of views regarding essential issues.

Starting out from the realization that, in the present situation, identity of the independent organizations' interests is objectively fundamental, and that their interests coincide with those of the entire nation, continual coordination of views on the most important current issues is both necessary and a moral imperative.

The power elite's open and masked attempts to divide the independent organizations must be opposed through solidarity purposefully fostered on the basis of the objective identity of interests.

Until a strengthened society takes over the management of its own destiny, continual pressure must be exerted on institutionalized power through united action that has been coordinated in advance, to ensure that society is actually included in decisionmaking, and that the restructuring is carried out consistently.

In the interest of achieving the objectives outlined above, the Forum of Independent Jurists recommends that Hungary's independent organizations and parties, in full awareness of their historical responsibility, immediately begin talks through their competent political leaders and strive to work out a common standpoint on the fundamental questions requiring urgent answers, particularly on a new electoral law and Hungary's constitution.

The Forum of Independent Jurists offers to organize these talks, and to help reconcile the views and professionally elaborate the coordinated standpoints: independently, impartially and to the best of its knowledge and ability.

[Box, p 5]

MTI-National News Service Report

On the basis of the authority granted them by the 19 March general meeting of the Association of Free Democrats, the association's officers have sent the Forum of Independent Jurists the following letter:

"The Association of Free Democrats welcomes your initiative to organize a round table of the independent organizations. We, too, consider it essential that the democratic forces agree on a common standpoint, on the basis of which they then can negotiate with the holders of power, the MSZMP [Hungarian Socialist Worker's Party]. We believe that we can only represent our society jointly as it emerges from its paralysis. We feel this society expects us to be able to cooperate, while retaining our identity.

"We gratefully accept your invitation. And we thank you for your organizing efforts to date, and for your offer of expert assistance during the talks."

Medgyessy on Improving Intelligentsia's Role
25000216d Budapest MAGYAR NEMZET in
Hungarian 22 Mar 89 p 3

[Press report by J.D.: "Let the Intelligentsia Become the Moving Force Behind the Social Processes"]

[Text] The inauguration of Mezobereny, in Bekes County, as a new municipality served as the occasion for an exchange of views. Attending the ceremonies, Deputy Prime Minister Peter Medgyessy seized the opportunity to meet with representatives of the settlement's intellectuals before the council's meeting.

The deputy prime minister said in his opening remarks that if the leadership had made any mistakes, then it was its failure to devote sufficient attention to culture, education, health care, and environmental protection. "In today's freer world, people will express also ideas about which they remained silent in the past. This should not make us nervous. Instead, the government, too, should make use of the expressed views and ideas."

He felt that the platforms of the alternative structures, of the political parties now being formed, did not differ from the MSZMP's [Hungarian Socialist Worker's Party] platform as much as many people had expected. Neither the MSZMP nor the organizations now being formed have formulated any truly new principles in the area of cultural and educational policies, he added.

Then the representatives of the local intellectuals took the floor.

Most of them said that it was in the entire nation's interest to have well-trained intellectuals who were dedicated to their professions and were provided with all the conditions essential to their work.

"It is an intolerable situation when teachers have to fatten hogs if they wish to maintain their standard of living," said a school principal. "Being an intellectual is a way of life, but it has also certain conditions. Unless those conditions are ensured, the engineers, physicians, and teachers will wander off, and that is not good for anyone."

Miklos Muranyi, the county council's chairman, called the attention of the government's representative to the fact that in Bekes County the proportion of intellectuals is close to half the national average. The Bekes County resident wishing to study must make a much greater sacrifice than do the residents in other parts of the country. This is also a reason why there are fewer specialists with higher education.

Recalling the deputy prime minister's words, Miklos Muranyi said: "For a long time we were attempting to bribe the cream of the intellectuals. Now it is not simply a matter of having to give them more money and better opportunities. Instead, the objective is that the intellectuals become the driving force behind the social processes."

Of course, economic questions were also raised. Enterprise managers complained that the economic processes were unpredictable, and it was impossible to plan even a year ahead.

"Society's set of values has been upset," said the deputy prime minister in summing up the discussion. "A change of social models is necessary, but that cannot be accomplished from one minute to the next. Correction of the set of values involves continual changes, and mistakes cannot be ruled out in the course of making those changes," he thought.

POLAND

POLITYKA Weekly News Roundup
26000468 Warsaw *POLITYKA* in Polish
No 17, 29 Apr 89 p 2

[Excerpts]

National News

At the Sejm, there was an organizational meeting of the Reconciliation Commission. Gen Czeslaw Kiszczak and Lech Walesa presided. Later L. Walesa talked with Wojciech Jaruzelski, who told journalists: "Today's

meeting was not substantive in nature, but it was valuable in creating an atmosphere that should spread to society." "Should we expect, in that case, another such meeting?" journalists asked. "As the need arises, we will meet or talk. I think that all the conditions needed exist, and there will be nothing extraordinary in it."

The election platform of the Citizens' Committee of Solidarity has been published; in it, the Committee, in view of the benefits Poland can achieve thanks to the participation of the independent forces in the Sejm and Senate, calls on the citizens to participate broadly in the elections. The program stresses the single-shot nature of the current election system and emphasizes that the next elections should be completely democratic, without any limitations or privileges. A meeting of the Committee at which Lech Walesa presided also discussed the list of candidates of the Solidarity Citizens' Committee. The BBC reports that in addition to Lech Walesa, Zbigniew Bujak, Wladyslaw Frasyniuk, Aleksander Hall, an activist of the Polish Politics movement, Marcin Krol, editor in chief of RES PUBLICA, and Tadeusz Mazowiecki, an advisor to Solidarity, have declined to be candidates. They judged, according to the BBC, the method of nominating candidates to be undemocratic.

The new chairman of the SD Central Committee is Jerzy Jozwiak (age 52), who was elected on the third ballot. He is a lawyer, for many years an activist of the SD in the Katowice Voivodship, and has been since April 1985 a secretary of the Central Committee. In 1985-88, he directed the domestic trade ministry. (He received 406 of the valid votes, and his opponent, Tadeusz W. Mlynczak, 352.)

A rich season of visits and trips. During the past week, we hosted Mauno Koivisto, the president of Finland, and Roland Dumas, the foreign minister of France. (He announced that on 14 June 1989, Francois Mitterrand will begin a visit to Poland.) [passage omitted]

The plenum of the ZSL Main Committee adopted a declaration and appeal to the "Brother Farmers." In conjunction with proposals to change the party's name, the plenum decided that such a change can be made through a referendum, but not by a vote at a regular or extraordinary congress, as some activists have proposed. (In the new Sejm, the ZSL is to have 76 seats (currently, it has 106), according to the decisions of the roundtable, where the seats of the coalition parties were reduced by 28 percent.)

At a meeting with Premier M.F. Rakowski with directors, they decided to form a Council of Directors under the office of the president of the Council of Ministers. [passage omitted]

The Commission of Socio-Economic Policy of the PZPR Central Committee adopted a position on the development of workers' self-management. It says, among other

things: "Workers' self-management is an essential element of the Polish model of socialism, and its development is a constant bearing in the process of transforming socio-economic relations."

The NSZZ Solidarity of Individual Farmers has been registered by the Voivodship Court in Warsaw. The temporary chairman of the national council of the union is Jozef Slisz, farmer and participant in the roundtable.

The press market. At the end of April, the weekly RZECZYWISTOSC ceased publication. The paper had lost its readership, and the publisher refused further financing for the great deficit. The BBC reported that TYGODNIK MAZOWSZE, published underground since 1982, has also ceased to appear. On the other hand, there are new titles. There is the weekly for entrepreneurs RONDO, editor in chief Jerzy Pardus and deputy Andrzej Nalecz-Jawecki (former editor in chief of VETO). The biweekly PRYWATNA INICJATYWA, which also is for entrepreneurs, has begun publication in Katowice and is being sold for now in the southern voivodships. It has been announced that TYGODNIK SOLIDARNOSC will probably begin publication in the middle of May, and its editor in chief is to be Tadeusz Mazowiecki, who directed the weekly prior to martial law in 1981. During the first days in May, the first issue of GAZETA WYBORCZA is to appear (eight pages, 500,000 copies) signed by the Citizens' Committee. [passage omitted]

Jan Wyka (age 87), writer and former member of the Polish Communist Party, participant in the struggle in Spain, had his party card returned. He was removed from the party in 1959. The Presidium of the Appeals Commission of the 10th PZPR Congress reversed the decision.

Who's Who News. Wieslaw Los (age 42), forester, since 1981 a secretary of the Pila PZPR Voivodship Committee, has been elected first secretary of the Voivodship Committee. His predecessor, Michal Niedzwiedz has been named to the position of secretary of the Workers' Commission of the PZPR Central Committee.

The Supreme Administrative Court examined a complaint of the talent agency AIA against a decision of the censors prohibiting the distribution of the songs "Pere-stroyka" and "Military Moon" by Andrzej Rosiewicz. The Court upheld the prohibition of the first, but overturned that for the second. It saw no threat to the defense of the country in the text.

The price of the dollar has passed 4,000 zloty at the Warsaw office of the Polish Security Bank.

In Bialystok, ecologists held a demonstration; they demanded that chlorine and other hazardous materials not be transported through the city. [passage omitted]

On the Left

MOSKOVSKIE NOVOSTI published an article by six people's deputies after their trip to Tbilisi. They write, among other things: The facts, which were witnessed by tens of thousands of people, were distorted in an obvious way. It was reported that the army did not use weapons; but everyone knew that during the night from 8 to 9 April, a young man was wounded by a shot to the forehead and lost his eyesight. The number of victims among the Tbilisi militia was published, but the most important thing was passed over in silence: the wounds were not inflicted by the people but by the soldiers, for the militia defended their fellow citizens against being beaten by the soldiers. The minister for health in the republic in an interview for Vremya said that in dispersing the demonstrators the soldiers used shovels and poisonous chemical substances. That was removed from his interview. Everything was done to hide the tragedy and to find a justification for the leadership of the republic. Those who escaped were pursued and beaten more. Why were the shovels used? Why was tear gas used and still other unknown chemical agents? Why is all this still being denied and why is there no willingness even to reveal the composition of the chemicals used to the doctors to facilitate treating the injured? [passage omitted]

K. Grosz and M. Nemeth held talks with I. Shamir in Budapest. A spokesman for the Hungarian Ministry of Foreign Affairs: Hungary, which maintains good relations with the Arab countries, has agreed to mediate in the Middle East question. Prior to coming to Budapest, Shamir stated that he hoped to renew normal diplomatic relations between Hungary and Israel "in the near future, but I cannot give any specific date."

Discussion at the plenum of the RCP Central Committee was marked by satisfaction with the payment of Romania's foreign debts announced by Secretary-General N. Ceausescu. Much was said of the need to make up for arrears in the implementation of planned tasks. As is known, Romania paid all of its debts from 1975 to March 1989, in all: \$21 billion, including more than \$7 billion in interest. The plenum of the Central Committee required the Great National Assembly to adopt a law against taking foreign credits in the future.

From an interview with A. Dubcek for Hungarian television on the events of 1968: "Brezhnev was most difficult and unfriendly during the meeting (of the socialist leaders). But I also did not receive any support from the others. . . Neither Kadar, nor the others, wanted to discuss later the new politics and economic reform in Czechoslovakia. . . I hoped that in the end Kadar would say 'no' to intervention . . . or that Gomulka would find the strength in himself. . . As a result of this action, Kadar buried the Hungarian reform. The process of reform froze for 20 years, not only in Czechoslovakia, but also in the Soviet Union and in Hungary."

Milos Jakes, secretary general of the CPCZ, at a press conference in Moscow called at the end of his working visit in the USSR, declared that the possibility of political rehabilitation for the former leader of the CPCZ, A. Dubcek, is not even being considered. He also does not anticipate that Dubcek will return to active political life. "No one in Czechoslovakia, other than a handful of people, would understand such a decision. Such a step could lead to the destabilization of the situation and that is why we regard it as incorrect. . . . Dubcek is today a private individual. He speaks only in his own name."

In May, the partial dismantling of the electronic system securing the border between Hungary and Austria, which Reuters has called the "iron curtain," will begin. The section is 4 km long. The system installed in 1967 is to be gradually liquidated by the end of 1990. [passage omitted]

During the first quarter of 1989, 15,300 residents of the GDR moved to the FRG. In 1987, 38,632 individuals decided to emigrate to the FRG, and in 1988, 39,733. The increase this year is associated with the relaxation of the principles for issuing foreign-travel permits to citizens of the GDR.

The Budapest paper *MAGYAR NEMZET* printed a comment by B. Geremek: "I think that Poland is one step ahead of Hungary. In the Western sense, we are not an opposition. We are not coming out against the government, but against the system. Between us and the authorities, there is no trust yet, but there is already the minimum of good will. The leadership of the country has taken upon itself the decision that there is a need for talks with the opposition, and now if it wanted to withdraw from them, it would lead to its own political death. On the other side, the situation is identical."

Talks between Bulgaria and the EEC on a trade and cooperation agreement have shown that the greatest difficulties concern liberalization of imports from Bulgaria, the elimination of the discriminatory quantitative limits. They cover about 1,000 items (they do not apply just to Bulgaria). Retaining them means that the structure of Bulgarian exports to the EEC will remain unfavorable.

RUDE PRAVO criticizes the ecologists who claim that the construction of the hydropower complex Gabczikovo-Nagymaros constitutes an unprecedented interference with the natural environment, posing serious ecological, economic, social, political, and other consequences. RUDE PRAVO: the basic goal of the project is to remove the danger of floods of catastrophic dimensions. In this way effective steps to protect the human community come to the fore.

"Socialism in GDR hues." A few weeks ago, Erich Honecker formulated this phrase for the first time. It has circulated widely, and recently, it has been frequently used in comments by representatives of the highest political authorities of the GDR and in press publications.

Opinions

Dr Juliusz Werenicz, deputy chief inspector of civil aviation:

(Interviewed by Jacek Stachiewicz, *NOWINY* 9 April 1989)

[Answer] Four such incidents occurred last year, three in previous years. The ignoble record belongs to the crew that returned from New York on 3 December 1988. The departure from its corridor was exactly 204 miles, or about 400 kilometers. The English asked us contemptuously if we should not resign from flights over the Atlantic, the densest airspace in the world outside of the United States. . . . The navigator of this crew no longer has a license.

Dr Slawomir Wiatr, secretary of the Commission on Youth, Social Associations, and Civic Organizations of the PZPR Central Committee:

(Interviewed by Piotr Gabryel and Karol Jackowski, *REPORTER* April 1989)

[Question] You do not think that it would be good for the PZPR to go into opposition?

[Answer] Yes, perhaps, but that is a fairly abstract prospect.

[Question] How could it happen?

[Answer] The move of the PZPR to the opposition would, from the point of view of the system, be a horribly radical solution. I cannot imagine what would happen the next day. I think that the party in its current condition would not survive such a turn of events. It is a party with very limited political resources, accustomed to and structurally adapted to performing the supervisory role; it is unprepared, however, for gaining adherents, election clients in other communities than in production. The character of the party must be changed first then—from a governing to a participating party, with all the consequences. The success of the entire process of democratization of our system depends on the success of this process.

Marian Jurek, president of the Great Poland Political Club, "Order and Freedom":

(Interviewed by Marian Pilka, *NIEDZIELA* 16 April 1989)

[Answer] After the tension of martial law, we returned in a sense to the situation of 1980-81, and the process can continue. We are condemned to "coexistence among contradictions"; these contradictions will continue to exist; the conflict is written into the structure of this form of statehood. The state within the given political horizon will be dominated by Marxists. On the other

hand, the people will demand respect for the broadest range of freedom in the given conditions. In these conditions, the imperative of the actual reason of state is concern for a stability in the system that is beneficial to the people. That is the unwritten constitution of the state developed after 1956 and 1980.

Marek Edelman, chairman of the National Minority Commission of the Citizens' Committee:

(Interviewed by Piotr Grochmalski, WPROST 23 April 1989)

[Answer] We think as the Citizens' Committee that without a change in the attitude of Poles toward national minorities it is impossible to improve interpersonal relations. If today the Byelorussians are foes, tomorrow the foe will be a boy with painted hair or anyone who is different from us. It is hard not to notice how antipathy between different groups is growing in Poland, how we are becoming less tolerant of each other. Without a halt in the process of growing social antagonism, without an improvement in interpersonal relations, we will not be able to do anything concrete. We will drown in our own animosity. This is the key, in the opinion of the opposition, to our relations with national minorities. [passage omitted]

From the Declaration of the Primate's Social Council:

(PISMO OKOLNE 17-23 April 1989)

"The decisions adopted at the roundtable, although they do not give the people the full right to decide their own fate, at least create an opportunity to gain influence over the further course of events in Poland. One of these opportunities is the upcoming election to the Sejm and the Senate—at least to the degree they actually depend on the will of the voters. The elections should show that a Catholic society wants to have, in the Sejm and the Senate, representatives shaping social life, on the basis of Christian values, who act to protect life, the dignity of the person and human rights, for whom participation in public life is service for the common good.

"Those who are prepared for such service cannot refuse to undertake it. It is also necessary for Catholics, aware of their identity, for people of all occupations and social groups, to support the nominations of candidates with the required signatures, guaranteeing with their actions the endeavor for the common good in accord with the social teachings of the Church. Finally, it is necessary for a Catholic society to make a conscious choice in the act of voting."

POLAND

Opposition Journal Targets Professional Officers, NCO Readers

23000163 Herford *EUROPAEISCHE WEHRKUNDE*
in German Apr 89 p 267

[Article by J.G.: "On Poland's Black Market: Journal of the Army Opposition"]

[Text] One is annoyed in the Polish defense ministry: circulating on Poland's black market is the first issue of the "private" journal "Honor i Ojczyzna" (Honor and Fatherland), with the subtitle "Journal for Officers, Senior NCO's, and NCO's of the Armed Forces of the People's Republic of Poland." Greeting the reader from the journal as a seal of quality of the opposition is the Polish eagle—just as until 1944—with crown.

Several of the authors sign with their full names, among them the well-known opposition figure, retired Colonel W. Heinrich. The contributors to the new opposition military journal include, among others, a teacher at the military-technical academy, a deputy regimental commander, a staff officer in the defense ministry, and an artillery officer.

The first issue points out that the opposition in the military does have a certain tradition, to be sure, but that in the past this opposition had been limited to only a small group. Now, however, more and more Polish career soldiers were experiencing an awakening of their consciences. It was for that reason that a quotation of the Pope was used as the slogan: "In the struggle between might and the nation, the nation is always right." "Honor i Ojczyzna" points out that a major part of the army feels obligated to the current Pope.

It criticizes the fact that the army was given disinformation when martial law was declared on 13 December 1981, so that today many career soldiers feel that they were deceived by their superiors. That should not be permitted to happen again.

"Honor and Fatherland" wants to inform the military and the civilian population on opposition and democratic currents in the Armed Forces. This will not be easy, the journal states, for the control of the political officers extends even into the family. An open opposition is thus out of the question. There are plans, however, for conspiratory meetings between representatives of various troop units. What must be avoided in any event is the employment of the army against workers and the population. In conclusion, the journal notes with satisfaction that, despite its high cost of 300 Zloty, it is a bestseller on the black market.

HUNGARY

Worth, Cost of U.S. Management Training Discussed

25000211b Budapest FIGYELO in Hungarian
13 Apr 89 p 7

[Interview with International Management Center dean Daniel Fogel, by R. P.: "... They Must Become Superstars as a Team"; date and place of interview not given; first paragraph is FIGYELO introduction]

[Text] In the Palmer Room of the Budafok castle which serves as headquarters for the International Management Center (IMC)—and where the oil painting of U.S. Ambassador to Budapest Mark Palmer looks at people gathered—the Center's dean entered into cooperative agreements with seven, internationally recognized universities. We asked dean Daniel Fogel what makes it worthwhile to observe the IMC aside from the increasing number of events that attract attention or are of the nature of protocol, and the tuition which is unbelievably high compared to Hungarian conditions.

[FIGYELO] Now that you have finished your first course, what impressions did you gather about Hungarian managers, to what extent do your training methods prevail in the Hungarian medium?

[Fogel] A majority of the participants were mid and upper level leaders engaged in marketing, i.e., the typical stratum which will also yield our future audience. The first course turned out exactly the way we planned: it was extremely successful. And it is not only I who says that, but also our audience. We are careful about conveying knowledge which can be applied also in Hungarian practice, while at the same time we, too, are learning about Hungarian conditions.

[FIGYELO] Where did the foreigners who teach here come from and how much do they know about Hungary?

[Fogel] Each "department" is headed by a Hungarian and a foreign professor. From among the latter, two are very familiar with the Hungarian economy, they learned about it and have taught or worked in Hungary earlier. Insofar as the rest is concerned, this is their first chance to become involved with Hungary.

I believe that in these days extremely important events are taking place in Hungary, but the problems which preoccupy the enterprises and the government are not at all unique in world history. The experience of very many countries serves as a resource. In addition, business has some general rules which apply everywhere, and our job is to make Hungarian managers receptive to such information.

[FIGYELO] What do you know about the knowledge Hungarian managers have? After all the curriculum they were exposed to at school is completely different from what postgraduate management training is built on generally in the West.

[Fogel] Look, whether Hungarian managers should first receive some basic training and then postgraduate level, modern management information, or vice versa is a typical problem akin to which came first the hen or the egg. We did not assess the knowledge of Hungarian managers, but we received several bits of information of this nature thanks primarily to the World Bank. In addition, during the past 6 months we talked to two groups of enterprise leaders each week, finding out what kind of knowledge was needed.

[FIGYELO] The Hungarian professors who teach here are not the greatneses of Hungarian economic sciences, and they are not even persons who have achieved great accomplishments in the analysis of enterprise conduct....

[Fogel] I do not need superstars. We must become superstars jointly, as a team. We expect something different from our teachers than what would be expected by Hungarian universities, where professors do a lot of other things and have side jobs at various institutions. Our permanent professors must do many things within these walls. They teach short courses and 10-month courses for young managers, they organize courses, perform advisory services and do research. Incidentally, in regard to specialized topics we invite ad hoc speakers from Hungary or from abroad.

[FIGYELO] I have difficulty in perceiving a high standard management training school without a high level research background. Yet, in relation to IMC we have not heard much about research.

[Fogel] You are correct, but research is an organic part of our activities. We have initiated a research program already. Within its framework we are trying to draw general conclusions concerning the experiences of successful and unsuccessful small ventures in various countries—quite naturally, to accomplish this we are doing empirical research also in Hungary. We are analyzing the efficiency of management, and within that we are examining what kind of "successful manager" or successful enterprise management image the managers have. And finally, joint enterprises in Hungary are also subjects of our research.

[FIGYELO] In regard to what do you rely on foreign universities which cooperate with you?

[Fogel] The university of Pittsburgh provides assistance primarily in relation to the 10-month course for young managers. Our graduates may obtain an American Master of Business Administration degree at Pittsburgh in 6 months. York University of Toronto was very active in obtaining financial resources for the establishment of the

Center. Indiana University at Bloomington—one of the best known East European research centers in the United States—participated in developing courses for upper management, INSEAD of Fontainebleau is involved in the continuing education of our lecturers, and Cranfield University of Bradford will send two lecturers to Hungary in 1990.

[FIGYELO] Having seen the hustle and bustle around the Management Center, as well as the lavishly renewed castle and the 2-day brain expansion [session] for bosses sold for 20,000 forints, the suspicion of whether this whole undertaking is only a bluff arises in many.

[Fogel] We consciously recognize the fact that here and now we are doing something very different than usual. We do this, because we want to become the symbol of change. Believe me, the greatest joy for me would be to have 15-20 similar centers operate in Hungary in a few years. Insofar as our prices are concerned—our costs are also very high.

[FIGYELO] I am more interested in what you offer for these prices?

[Fogel] It is tremendously significant that in Eastern Europe Hungary is first to have high level management training of the kind that has been widespread for a long time in market economies. I am certain that our 2-day courses will also have great impact on Hungarian economic leaders, and that our relationships will continue also after those 2 days: They will return to take other courses, they will take advantage of our advisory services, etc.

We make young managers starting our 10-month courses work very hard. Our goal is to provide an additional career boost to already upwardly mobile young man who know about "market ethics," and turn them into effective spokesmen for the cause of market economies.

[FIGYELO] What could your graduates do with the diploma you grant them?

[Fogel] We do not grant diplomas, but I am confident that the certificate acquired here will have prestige. Our 10-month course is recognized also by the Karl Marx University of Economic Sciences in Budapest, and, as I mentioned already, also by the University of Pittsburgh.

[FIGYELO] Why did you, personally accept this assignment? After all you were a professor at Tulane University in the United States.

[Fogel] I regard this assignment as a tremendous opportunity. I had already acquired much experience in organizing and directing international educational programs, but thus far I had had nothing to do with Eastern Europe. Something entirely new must be brought about here, something that may have an extraordinary impact on the

establishment of a market economy in Hungary. Incidentally, my assignment is limited to starting this institution up and to finding a successor. This could take 1 or even 3 years.

[FIGYELO] How will you measure your success? Business success promises to be easy. Most certainly, visiting this castle for a few days will soon become a status symbol. Enterprise leaders will not be reluctant to pay a few 10,000 forints for this purpose out of enterprise funds, or out of funds received from the Hungarian Credit Bank. But at the same time all this may just veil the lack of real results.

[Fogel] I will measure our success by the degree to which knowledge conveyed by us penetrates into the Hungarian economy: Will they make use of the things we are teaching here, are they going to return for consultations, etc. The other success parameter is the extent to which we are able to influence governmental decisions: To what extent the government understand the business viewpoint. This criterion is used particularly because of the peculiar circumstances in Eastern Europe. Thus, we will be able to obtain specific measurement of the extent of our influence on government, by seeing, for example whether a stock market comes into being and with what intensity, and whether the tax system contributes to the development of a market economy.

CEMA Headaches: Growing Complexity of Problem Analyzed

Dollar-Based Settlement

*25000210 Budapest FIGYELO in Hungarian
13 Mar 89 p 5*

[Article by Ivan Szegvari: "Dollar-Based Payment Settlement in Hungarian-Soviet Trade?"; first paragraph is FIGYELO introduction]

[Text] The changing of Hungarian-Soviet relations is an eminently significant function of our economic policy. There is general agreement concerning the fact that continuation of the traditional model in an unchanged form would not only increase the tensions of bilateral cooperation, but would also become a clear barrier to both Hungarian and Soviet reform processes. Accordingly, some steps must be taken, moreover, those steps must be taken now. Views concerning the content of reform, the specific steps, and their scheduling are fatally divided. Would a changeover to a dollar-based settlement be the real solution? The author of this article voices fundamental doubts concerning this solution, and challenges the experts on this subject for an exchange of views.

In the course of professional debate thus far a diversity of views developed in regard to essential issues involving the Hungarian-Soviet cooperative system reform. One of these—undoubtedly the alternative which triggers the most spectacular and most radical change—projects that

payment settlements be made in convertible currencies (hereinafter dollars). Characteristically, however, the otherwise truly divided expert opinions did not support this view, moreover the actual topics of debate did not evolve around the advantages and disadvantages of this alternative. Just to illustrate this matter, KULGAZ-DASAG No 1, 1989 dealt with the future of CEMA relations and presented responses to a round robin questionnaire sent to 20 state administrative, research institute, and enterprise experts. Only one out of 20 argued in favor of a dollar-based settlement. In this regard a significantly different ratio did not evolve in debates held by the reform committee concerning "Opening to the Global Economy and the Development of Market Conditions." Quite naturally, a good decision is not merely a matter of voting ratio. Nevertheless, I find it stunning that at the first secretary's meeting, and thereafter in the MSZMP CC [Hungarian Socialist Worker's Party Central Committee] Report a changeover to a dollar-based settlement was the number one Hungarian recommendation (which, incidentally, was readily received by the Soviet party). What is at issue here?

The term "dollar based settlement" is unfortunate, because it aims not only for a rearrangement of foreign exchange and financial relations. It also triggers changes that modify the bilateral interstate mechanism and the whole of internal foreign trade regulation. Thus, it would eliminate the contingent system and current world market prices in the pricing system, and would generally result in interenterprise cooperation and in placing such cooperation on decentralized market foundations. In the context of the recommendation the system would guarantee within the framework of Hungarian-Soviet relations the prevalence of the value system produced by the global market, and render separate CEMA (in a given case Soviet) foreign trade regulations unnecessary.

Who Will Be the Partner?

I would especially underscore the importance of this issue because it takes two parties have bilateral relations, including two bilateral market relations. On the other hand, no one could assume that within the next few years the Soviet economy would become suitable to accept the order of values produced by the global market, and that it would internally function accordingly. If this is the case, however, one may only talk about a market-oriented bilateral system in which only some one-sided market criteria prevail, or more accurately: only those criteria which one of the parties was able to make the other party accept. Under such conditions the Soviet side would continue to perceive cooperation in its domestic context, fundamentally within the plan-directed administrative distribution system, and would manage cooperation on the basis of the direct guidance of balances, structures, and prices, irrespective of whether there is or is not an interstate contingent. In the final analysis, our enterprises' partner in the marketplace would still be the hierarchy of Soviet Government

administration. Whether directly or indirectly (by exerting influence through the management system and defining the conduct of Soviet enterprises), quite naturally government administration in the Soviet Union would represent the momentary prevailing needs and opportunities of the economy to us. Within the foreseeable future, however, these needs are determined by the most pressing shortages of the Soviet economy. They are primarily quantitative needs, which need not respond to world market quality, state of the art and marketing criteria. The bulk of Hungarian export products assimilated originally to this market are not and will not be traded on world markets, and therefore they do not and will not have world market prices. [Cross reference omitted.] The same applies to an overwhelming majority of processing industry goods which will be offered for sale by the Soviets. Within this very significant product category subject to bilateral trade, current world market prices are meaningless from the outset, in this relation "world market" prices can be formulated only through artificial means (e.g., as a result of present bargaining processes which are based on fictitious documentation). It is very likely that prices and price correlations, as well as partnership relations would show a large-scale decline on the basis of the partners' enterprise endeavors, but on occasion also as a result of our enterprise endeavors.

In my view, even if they are conveyed in the framework of a dollar-based settlement, "spontaneous" market relationships and value judgments forming in a system of relationships of this type would hardly represent the fundamental standards of the world market system to which we intend to adapt.

This logic would fail only in one hardly conceivable eventuality: if in its external economic system the Soviet Union would treat us the same way as it does developed capitalist countries, and what is no less important, if our enterprises would produce, sell, and in general, do business in a manner similar to corporations in developed capitalist countries. As far as I know there is a long road ahead before this situation can be realized. Accordingly, in the absence of the latter condition, because the internal economic fiber of our enterprises significantly differs from that of the world market, we would not be able to achieve a real and equal competitive situation vis-a-vis with capitalists firms active in the Soviet market. These two different groups of enterprises and corporations as well as the goods they sell can be thrust into a competitive situation only by the Soviet Government administration. If we insist, it is obvious that the Soviet side can be persuaded to set aside its internally determined needs, and that it will make its selections strictly according to the yard stick provided by the world market. And even more so, because this would produce significant profit for the Soviet side. Let us assume that the Soviet side complies with our request.

The Price To Be Paid for Changeover

Several estimates originating from Soviet sources are available in regard to this extreme scenario. Each of these estimates shows that as a result of a changeover to

a dollar-based settlement (more accurately: a changeover based on the world market value system) Hungary would suffer an annual balance of payments deterioration of a minimum of 1 billion dollars, but typically 1.5 billion dollars. This estimated loss would be composed of two factors: the one-time significant exchange rate deterioration (which, from the standpoint of the Soviet Union would mean a gain on exchange rates of equal proportion), and the large scale decline in trade, which would affect Hungarian exports primarily. One should also consider in part independent from these effects the declining standard of living, which one way or another would be a result of a one-time decline in production and employment, as well as from the supplemental burdens produced by the credit sphere. At the same time, all these factors would present a great constraint on Hungarian businesses, and in general on the Hungarian economy, which, in the long term would result in significantly improved efficiency. Although this is theoretically correct, short term shock effects may render Hungary's stabilization impossible, and having said that I cannot envision long term advantages.

At the same time one must recognize that the maintenance of the old system, or the realization of any other reform alternative would be accompanied by losses of different magnitude, and thus the effects of a dollar-based settlement must be viewed in light of these facts. Nevertheless, there is a significant difference in the magnitude of loss, in the type of foreign exchange the loss would appear, whether the loss strikes us all at once or spaced in time, and not least important is the question whether incurring such loss is, or is not necessary.

But let us return to the alternative of a purely dollar-based settlement, whose effects on the balance of payments are in and of themselves alarming. It hardly bears separate proof that along with our present and expected debt service payments these effects would be intolerable for Hungary. Viewed from another vantage point however, it also becomes apparent that it is in the political and economic interest of the Soviet Union that Hungarian stabilization and reform processes not be rendered impossible. Accordingly, there remains the solution by which the Soviet Union would finance a large part of the losses incurred as a result of changeover. Under any circumstances, this would be an odd way of changing over to market orientation, because essentially we would be asking our partner to represent strict world market requirements toward our enterprises, but to save us from the effects of such market requirements at the macroeconomic level. This is so, except for the fact that this situation would mean several years of an effective added burden to the Soviet Union. It would have to surrender not only its profits, but would also have to obtain the Hungarian exports not delivered from other sources.

Two Alternatives

It is unlikely, however that these highly hypothetical developments would take place in reality. As a result of its unrealistic effects and its assumptions, following a

changeover to a dollar-based settlement it is likely that cooperation would return within the framework of a smooth clearing relationship, together with barter arrangements and the heavy underlaying of price correlations. Moreover, as a result of the matters discussed earlier, this return would take place along with distorted and artificial mercantile conditions and market impulses. If this is so, then by all means there would be a continued need for separate internal regulations regarding bilateral relations, which would systematically adjust market impulses of cooperation which by they themselves are distorted. These adjustments would take place on the basis of domestic and world market value judgments. In other words: the hopes expressed in the idea of a changeover to a dollar-based settlement is founded on very unstable grounds.

Thus, following the introduction of a dollar-based settlement, as a result of several factors there would evolve a cooperative system which barely differs from the present system. The foreign exchange, financial and pricing conditions of the evolving system would be artificial and detached from the world market value system. Nevertheless the new system would possess the very essential feature that in the absence of contingents and along with free pricing by enterprises, the partner would have a greater organizational bargaining power to enforce his trade endeavors (in terms of price, structure and balance).

And finally, there is yet another argument which serves as a cautionary sign for us not to attribute advantages to convertible currency based settlement alone which could be the results of actual convertibility only—like a crown on fully developed and comprehensive market conditions. At issue is the fact that for decades our trade balances with capitalist countries have been settled in convertible currencies, and in this respect we have not much to complain about the quality of external economic impulses. And yet, the whole of our system of relationships has not much to do with actual convertibility, for the time being. Even in capitalist trade relations the establishment of convertibility, and through that the consistent enforcement of world market standards in the internal economy also becomes realistic only in the more distant future.

Based on the logic of the above arguments a changeover to a dollar-based settlement may be perceived in the framework of two, fundamentally different alternatives. One alternative, which stringently applies the system of values produced by the world market is not realistic, among other reasons because of its intolerable effects on the balance of payments. The other, the more likely alternative would produce reform as a matter of form only because of the spontaneous return to the previous system, and would do so without the originally hoped for advantageous effects. Of course it is possible that I am mistaken. Nevertheless, those who advocate a changeover to a dollar-based settlement should permit professional public opinion to learn for whom, why and to what extent the idea is good.

Trade With Small CEMA Countries

25000210 Budapest FIGYELO in Hungarian
13 Mar 89 p 8

[Interview with Deputy Commerce Minister Pirooska Apro by Becsky Robert: "CEMA Relations: Neither With, nor Without"; date and place not given]

[Text] Much is said these days about the need for making a deep-rooted change in CEMA. Our growing trade surplus represents concern particularly in our trade with the Soviet Union, and so does the shift in Soviet demand for light industry and agricultural products. Less attention is paid to our relationships with small European CEMA countries, whereas almost 40 percent of our socialist trade is transacted with these countries. What are our chances on these markets? This was the topic of our discussion with deputy commerce minister Pirooska Apro.

[FIGYELO] You returned from Prague not too long ago. I understand that negotiations there pertained to cooperative opportunities and forms in the 1990's already. Would you briefly characterize the negotiating positions of our CEMA partners?

[Apro] In light of global economic changes and of problems with the CEMA mechanism it is doubtless that relationships with our immediate neighbors—among them CEMA countries—must be fundamentally changed. As a result of geographical proximity, a similar level of development, historical relations, similarities between the sizes of the respective internal markets we may justifiably talk about advantages stemming from the fact that we are neighbors, and these advantages should and could be utilized much more.

International experiences too prove that the economies of smaller nations complement each other, and reduce the potential threat of dependence from the larger partner. A majority of our CEMA neighbors recognizes the flaws of the mechanism, and within that of the contingent system; they are also seeking solutions, but of course, they see the solution in different ways.

Czechoslovakia, for instance appears to be our partner in relaxing the rigidity of the contingent system. Beginning in the 1990's they envision a possibility to replace the present contingent list broken down into the utmost detail of products with a system based on looser descriptions of needs and preparedness to ship. They also agree with a substantial decrease in the acceptance of state obligations, offset by broadening enterprise relations.

Already in earlier days Poland raised the possibility of narrowing the contingent system; outside the group of strategic products all trade would be transacted directly through enterprise relations.

We have not begun negotiations with our second largest CEMA partner, the GDR. Incidentally, our trade with the GDR is perhaps the most balanced. Not only can Hungarian enterprises sell their products, but GDR manufacturers have appropriate products to offer in exchange. The way we see it, we will begin consultations with the GDR depending on our contacts with Czechoslovakia and Poland.

During the past several years our trade with Romania increased by a dynamic 10+ percent each year. They insist on maintaining the contingent system and show no inclination to liberalize interstate commitments. On the other hand the fact that the annual memorandum concerning mercantile exchange and the actually exported goods frequently differ depending on needs and delivery capabilities may indicate some flexibility. We must add here that because we are buying in Romania from a rather small selection, but in relatively large quantities (cars, furniture, stoves, chemical materials), the contingent mechanism functions much better with Romania than in the much more diversified trade with Czechoslovakia or the GDR.

We have not begun our negotiations with Bulgaria either. Our foreign trade balance with Bulgaria shows the largest surplus from among the small CEMA countries, and this poses difficulties in negotiations.

[FIGYELO] So according to this, negotiations are at the very beginning.

[Apro] Doubtless, this is true, and this has several reasons. One can expect only a very slow change in the CEMA mechanism, even though an intent to make changes may be discovered in different degrees in every CEMA country. I believe that a breakthrough can be expected realistically only in bilateral relations.

As a result it is conceivable that there will be a variety of forms and mechanisms of relationships between the several CEMA countries. In some relations the state contingent system will remain, in others enterprise relations based on mercantile and financial conditions will gain strength.

Our trade balances are settled on a bilateral basis with most European CEMA countries. Thus there appears no constraint like the one we have with the Soviet Union, where our trade surplus hastens the idea of changing the mechanism. And, of course, we may act with the rest of our partners also on the basis of the results of our negotiations with the Soviet Union.

Finally, the structure of trade is also different than in our trade with the Soviet Union. As a result of bilateral trade and the absence of multilateral settlement we are exchanging machinery for machinery, chemicals for chemicals, and I could go on and on. But because GDR and Czechoslovakian supply of these goods is larger than ours, Hungarian enterprises are relatively more free to

decide when, for how much and in what quantities they sell machinery or light industry products. This, of course does not mean that considerations of balance do not influence the way trading evolves. But the structures are more even, the well known concerns of raw material, machinery and consumer goods exchange with the Soviet Union are smaller relative to the small CEMA countries.

[FIGYELO] Don't you think that the more even structure may be attributed also to a greater similarity in the needs of small CEMA countries?

[Apro] As a result of the long term, virtually limitless absorption capacity of the Soviet market it provided relatively easier sales opportunities for the Hungarian machine and light industries. And because of large series production, these sales were more profitable. In the long term, from the viewpoint of technological development and the flexibility of response to customer needs, this undoubtedly produced many disadvantages.

[FIGYELO] Studies of the Economic Research Institute reveal that the useful life of machinery supplied in ruble trade is the longest. Is there any difference between the Soviet Union and the small CEMA countries?

[Apro] Yes, and in this respect the method by which division of labor took shape relative to the Soviet Union plays a decisive role. It can be seen that the manufacturing starting point of the bulk of machinery exported to the Soviet Union is linked to one or another central development program. Although in regard to the small CEMA countries specialization agreements came into being one after another, today only a few percentage points of trade are transacted on the basis of those agreements. The exchange of products is faster, and the useful life is characteristically lower than that of the products sold in the framework of Soviet foreign trade.

Perhaps I should say that in regard to each other the small CEMA countries are more demanding, the market constraint is somewhat stronger, and trade is not a consequence of central programs. In the machine industry, and particularly in computer technology obsolete products are squeezed out of the market faster, and similarly, the composition of pharmaceuticals is changing faster, and I could go on and on.

[FIGYELO] Can there some difference in regard to the Soviet Union versus established relationships with the small CEMA countries also at the enterprise level be seen?

[Apro] It is a fact that among the latter direct relationships always occurred more frequently. These relationships, however, were not technical or capital related by nature. They were essentially limited to relationships between goods, when they exchanged merchandise for merchandise, finished products for finished products, machinery for machinery. But relative to, e.g., the GDR,

Hungarian agricultural machinery manufacturers trade component parts, without any central program, and similar cooperation evolved with Czechoslovakian firms which make motors, foundry products for Hungarian agricultural machinery manufacturers. As of recently we also trade individual elements of agricultural systems.

In contrast with classic barter, these are relationships having the character of barter involving an enterprise which requires some complementing element for its production and this requirement is connected with the supply of foreign enterprises. We find such relationships rather frequently, for example in trade between Hungary and Czechoslovakia, but also elsewhere.

To conclude, these are useful relationships, but they do not change the basic situation. Because of the totally different pricing, financial and subsidy systems—and in the absence of convertible currency—barter relationships dominate. While in Western Europe, the Far East and in the United States capital relationships evolve fast, our trade essentially involves barter transactions. And well, in trade between CEMA countries the foreign trader frequently has a more difficult job in finding goods to be imported to offset his exports, than to make the export sale. This, at the same time proves the need for reforming the CEMA mechanism.

Public Sees Government Indecisive, Irresponsible, Negligent

25000237c Budapest NEPSZAVA in Hungarian
22 Apr 89 p 7

[Article by Agnes Peredi: "Public Sentiment Report—Without Makeup"]

[Text] Usually, reports on the public mood are prepared in order to inform upper level leadership about the general sentiments, views, and concerns of working people. Usually, people preparing these reports somewhat embellish the rough wording. Then, as these reports proceed upwards through the chain of command, each level adds some "refinements." More, rather than less. Things that match the perceived image of a satisfied people on the road to progress. The reports adapt to and strengthen this illusion. Now we present a public mood report without all the makeup.

Vaci Road, Tungsram. But it could be any other factory. Participants in this conversation could have remained anonymous, but they attached their names to their views. I asked each of the participants how they felt, and how they saw their own and the country's situation.

Mrs Laszlo Kiss has been with the firm for 32 years, even though she has not yet reached the age of 50. She is a plant organizer.

"First of all I feel that our living conditions are worse and that we are uncertain in regard to virtually everything. An increasingly larger number of questions arise

upon hearing contradictory information and opinions. One cannot find his way through statements made by politicians, from one month to another they profess opposite views. As time passes, I no longer watch news-casts, I don't listen to the radio. Instead, I knit or escape from the confusion somewhere else. I do not feel that the present is at all secure, and the future is even less secure. I've been paying installments on a 2-room apartment. That's what we have accomplished. I have an adult daughter, she too needs a home. We support my aging mother-in-law. I ask: when can I live my own life? And I become particularly infuriated when we are held responsible for everything. I am the one who should be condemned when I go shopping to Austria, and I should be ashamed because, thus far, I can use the roads free of charge. They are scolding me for everything, as if I were a freeloader who caused the country to arrive at the point where it is now. But I also must say that the present changes do not reassure me either. Because I am in favor of a multiparty system, but not of many parties. And I'm also concerned that in this great swarm some opportunists who nominate themselves will get to the top and establish their own power while making references to the people."

Irresponsibility and Sloppiness

Tibor Szepesi is 25 years old. He completed a specialized high school.

"By virtue of some great luck we acquired an apartment. My wife, our daughter and I live in a moldy room. We have so little money that we also work in an economic work collective [gmk]: we assemble furniture. Nowadays all news makes me nervous. I have high blood pressure. I am simply unable to understand how they can promulgate such decrees. I do not find better words: it's irresponsibility and sloppiness. The thing they did with the toll road, that too...Or that customs matter. They made mockery out of people who balanced freezers on their small Trabant cars. And what shall I do now? They promulgated that new decree and at the same time raised freezer prices. What else is this but cynicism. And the terrible thing is that I am not really a pessimist, yet I find the situation hopeless. I do not even dare to think what will become of my daughter. She's still small...."

Mrs Istvan Kovacs is in her 40's.

"Our age group is the one that's cautious, we prefer to keep quiet. Because we must raise our children and also must take care of our elderly. But how? They say that education is free. It costs me 5,000 forints to send them to school. And even then, each child has only one coat, one pair of shoes, and one bag. I have not bought myself a dress for the past 5 years. We no longer buy books, we borrow each other's newspapers. How will the next generation be if they are brought up under such austere conditions? Slowly we have to give up everything. No

theater, no movies, there is not enough money to buy ice cream, even excursions are expensive. What's left are those Sunday strolls—the four of us. Because that's still free...."

Frequently Changing Views

Lathe operators Gyula Toth and Robert Szita. They have been working together for 19 years. They understand each other even if they say only parts of some words.

[Toth] I will provide you with some characteristic data. Back in 1977 there were no gmk's, but we lived in a way such that we were able to make payments on a car. Now we cannot even think about trading in the old car even along with a gmk, a second, third, and a fourth job.

[Szita] In 1979, when the first serious price increases took place it seemed that the country would straighten out if we would tighten our belts a bit. Then the gmk work began in 1983 and 1984. At first I was against it, but then I too had to join in. In those days I bought books for 3,000-4,000 forints each year. Now if one of us buys a newspaper it will be read by five or six of us. But I am most concerned about the fact that the processes have become uncontrollable. For example, at the party conference the leadership rejected the idea of a multiparty system. Today, they pretend that they wanted it all along. But it's obvious that [this did not happen] because they wanted it that way. Leaders change their minds too often. Too many things remain unclear. I do not believe at all that Mindszenthy should be made a saint, but at the same time I really do not know what mistake Imre Nagy made. And I do not like the fact that organizations representing a few thousand people speak for the people.

[Toth] In my view things are rather confused, because what's the situation today? Suppose I take my son away from the pioneers and enroll him in the boy scouts. But in which boy scout [organization]? And that's how things are with the rest of the parties and organizations, too. They pull apart, they argue, how can we have confidence in them? Now there are a whole bunch of organizations, but god only knows what they want. Although lately it was the new pension concept that made my heart run wild. What does it mean when they say that pensions will start at a lower level and close up later? Who benefits from such a social policy at a time when the bulk of men die between the ages of 60 and 65. In the same way, I cannot understand this: They won't pay if I produce scrap. Well, does anyone hold the finance minister accountable for what he is doing? Today a decree says one thing, tomorrow it says the opposite.

To Avoid Anarchy

[Szita] Some 5 years ago a person felt more secure than he does today. I hope that what the country is going through at present is only a childhood disease, and I very much hope that it will be possible to avoid anarchy if mutual wisdom prevails. In order to do so we need

tolerant, thinking men. I would like to see the movements which come from several directions drive the country on a joint and appropriate path. But I'm afraid that if elections were held passions rather than wisdom would dictate. We are at the end of the "thread," but one should be aware: Neither Gorbachev nor the West will pull us out of our difficulties. We must climb out of them.

[NEPSZAVA] What do you think about the fact that the Hungarian Credit Bank sold 49.65 percent of the Tung-sram stock to an Austrian bank?

[Toth] It's good, as long as I do not have to produce goods which were already outmoded in ancient times, and if they dismiss a whole bunch of "cotton" people.

[Szita] But what assurance do you have that it is not you who will be dismissed because you talk too much? Incidentally, I believe that if the appearance of foreign capital is coupled with the introduction of developed technology, and if it helps in the real assessment of things, that could be good. But I do not clearly see just how strong those ties with Western banks established by this capital will be, and what kinds of economic and political consequences this will have.

But it seems that at the moment the only thing that is clear is that virtually nothing is clear.

Writer Asserts Economic Turnaround Began in Late 1987

*25000166a Budapest FIGYELO in Hungarian
16 Mar 89 p 3*

[Article by Gyorgy Suranyi: "The Economic Policy of 'Nonintervention'"]

[Text] An objective, scientifically based analysis of the economic and social processes of the past year will have to wait a long time. With democratization of political and social authority, dissatisfaction has come to the surface more and more sharply, loudly, and impatiently. In this atmosphere, and lacking historical perspective, objective economic and economic-political analysis of a year is more difficult than usual, even for a year as important as this one. The admittedly not very popular purpose of this article is to approach the processes of last year by debating official and other, often more passionate, appraisals.

Very simply, I think that official and alternative appraisals of the results of 1988, starting from different fundamental positions and more or less independently, regard them as the result of the interplay of fortuitous factors. For this reason they do not believe in future improvement, and as a result their prognoses are extremely gloomy on the one hand, and they cast doubt on the reality of the accomplished liberalization accompanied by selective restrictions.

Even though it doesn't fit in very well with the prevailing climate, I still think that a definite change in the years-long string of failures and economic blunders, sins if you will, started at the end of 1987. Detectable signs of this could be felt already in the macroeconomic process of the past year. Very few years can be found out of the past 2 decades when the macroeconomic prognosis and reality approached each other as closely as in 1988. The balance of payments deficit in hard currency, which is of such key importance to us, was close to the planned amount. The trade deficit in this category improved in 1 year by some 800 million dollars at the limit rate, and the year closed with a balance on hand of \$500 million dollars—well above the planned amount. Ratios of goods exchanged improved by about 50 percent, and not all of this was due to favorable developments in world market prices independent of us. The favorable world economic environment doubtless contributed to the formation of a significant favorable balance in the balance of trade. However, such favorable environments have existed before, and we have missed the opportunity. The fact that since the end of 1987, and especially during the past year, it has been possible to take hold of impulses coming from without cannot have been a matter of chance.

Few Believed in It

In spite of the startlingly good balance in the trade of goods, the balance of payments turned out to be a little less favorable than planned. The most important factor in this was the travel and buying fever that arose after introduction of the world passport. Hopefully, there are few who dispute that even though in comparison with recent years tourism has decreased significantly, thus contributing to a decrease in the balance of payments deficit, its positive effect on the economy and on society can hardly be overestimated.

In light of these results—besides the fortunate circumstances that are not to be ignored—stand the drastic cutbacks in overall incomes and domestic consumption that have generated so much debate and misunderstanding. This clearly cannot be counted as success. But one must still state on the one hand that few believed such cutbacks could be implemented systematically and on the other hand that although the legacy of the past can be rejected, it cannot be denied. Responsible economic policy, constrained by the force of circumstances, had no absolutely no other choice than to restrict consumption. We have no cause to celebrate the fact that this happened, but we can say with restrained voices that the sacrifice imposed on the population was at least not in vain.

Perhaps no element of the economic policy of past years, which has been full of so many failures, has received so much criticism as the overall limitation of incomes, that is, monetary restriction. Criticism has come equally from both the "right" and the "left," from official bureaucracies, and, in addition, from scientific and

semiscientific workplaces. It is not possible to react to them in detail within the space of this article. On the whole I must state that, accompanied by the threatening shadow of serious errors and traps, it had a decisive, fundamental role in the basic improvement in the external balance, in stopping the unforeseeable processes of 1985-86, and in holding back the eruption of inflation.

Technical Mistakes Corrected

In the face of many forecasts and loud pronouncements, and in spite of undoubtedly high interest rates—but in my opinion because of the positive effect of this, among other things—inflation fell from the level of about 18 percent at the middle of the year to 15.8 percent by the end of the year. And this reduction was not the result of a broadening of administrative interventions. Real interest rates, nominally high, but in the end positive, more or less stabilized monetary incomes and contributed in the fall of 1987 to cooling of the buying fever by households and to more rational in the enterprise sector, albeit along with more than few sacrifices.

At the beginning of the past year, having overcome the liquidity crisis caused by the serious technical mistakes of the directive organs, not just the central bank, monetary policy became an ever more confident element in economic direction. The crisis of last January was based directly on a confusion of the connections between income produced and income spent, income and money, currency and money in the broadest sense, and the balance between stock and flow, as well as lack of confidence in the information base. But the deeper causes point beyond the technical errors that were corrected at the last moment. In the background lies the concept—stated or unstated—that income of whatever kind arising from the economy is equivalent to the original sin. This approach is based on the hypothesis of the inevitability of overall administrative restrictions.

Some experts, recalling bad memories, which is psychologically understandable, saw the only alternative to be the immediate administrative fiscal curtailment of income and bonuses which deviated from those in the plan. They did not trust or believe that sober, rational, and restrictive monetary policy, taking account of seasonal interdependencies and the necessarily fluctuating net financial position of those who have money, would be able to orient economic process toward the desired direction.

Only to such a concept can be attributed the fact that the need for direct intervention did not go away after the February agreement that resolved the monetary strangulation. This was strengthened in a strange way by the common opinion of experts outside the bureaucracy: based on disillusionary past experiences and uncertain, inconsistent information not under their own control, they self-assuredly forecast in the spring that economic processes would break free. Fortunately, they were badly mistaken.

In this mood, first in the spring, then again at the end of summer on the same basis as in January—supplemented with the inapplicability of formerly “proven” monetary-policy means—they prepared packages of interventions, appealing to the apparent large budget deficit, to unfavorable forecasts, unsupported by facts, for the balances of trade and payments, and to a level of investment higher than planned. The great majority of these recommendations were—correctly—rejected. The series of central and administrative interventions that later proved to be unnecessary never took place.

Out of the spring package of plans, perhaps the subsequent revision of ruble accounting [devaluation] was the only element that is defensible even though the situation that had developed changed. (Though at least as many reasons for increasing the value could have been listed.) The same cannot be said, for example, in the case of price increases for alcohol, tobacco, and gasoline at the beginning of summer. The damage caused in the form of expectations of inflation is incomparably greater than the net improvement to the budget balance of between 1 and 2 billion forints.

Liquidation Was Not Helped

In summary it can be stated that for the first time in many long years, in addition to achieving the most important overall numerical goals, serious movement took place in a qualitative economic direction. At the cost of sharp conflicts and furious debates, patience, which had almost disappeared, and the policy of nonintervention, leaving the economy and society alone, came to the forefront. In the basically successful overall cut-back in incomes, though not free from tensions, both elements played an important role. Monetary restriction could not have been successful without increasing parliamentary control of the state housekeeping, including regulation of taxes through laws.

At the same time, the otherwise correct policy of nonintervention hardly helped the liquidation of branches of the economy in crisis and consistently unprofitable enterprises. The critical cause of this was that state direction and state ownership still fall under the authority of the same organizations, and the bureaucracy of economic direction is unsuitable for exercising rights of ownership. It is probable that without fundamental reform of ownership it is an illusion to expect a change in this area. The possibility for this has been created by the law on associations and by the law on transformations that is now in preparation.

The liberalization that started in January 1989 is building on precisely this reform of the institutions of ownership and the favorable processes of the past year, which obviously, cannot be continued by present means. This conclusion points to another connection. It is difficult to break free from the thinking that behind the innumerable debates about the facts and numbers of the past year there really were differences in views about the future

and different approaches to economic policy. If the processes are unfavorable, and if further and rapid reform of institutional ownership cannot be realized, then liberalization is a sand castle. This debate obviously cannot be decided by sitting at a desk. I do not think that anyone can accurately describe in advance the final results of liberalization. The conflicting interests are strong, and opposing pressures are equally strong within and outside the bureaucracy. Still, the only road that promises success in the creation of a market economy and providing a basis for stabilization and resolution is strong, programmatic liberalization based on reform of institutional ownership that will enforce economic competition.

Need for New Power Plants; Questions Raised
25000171b Budapest FIGYELO in Hungarian
23 Mar 89 p 11

[Article by H.A.: "Societal Debate Concerning Power Plant Construction"]

[Text] Our total domestic energy use in 1988, dropped by 19 petajoule to 1338, with the decline amounting to an equivalent savings of 470 thousand tons of oil. The energy use of the material sector and the populace dropped by 1.5 and 1.3 percent, respectively. The latter was an unusual occurrence in the last few years popular consumption had been dynamically rising. Energy experts are attributing this decline in popular consumption to last year's favorable weather conditions. Within the material domain, production in the traditionally energy-intensive sectors showed an increase—because of the rising demand for metallurgical products, for example—yet absolute energy use declined because of some favorable changes in per-unit consumption.

The expert debate regarding the development of a long-term energy policy concept has already begun, we were told at last week's session of the energy propaganda committee. According to Gyoza Wiegand, head of the Energy Inspectorate, the dilemma surrounding the concept had to do with the fact that many are of the opinion that we need not build a new basic power plant, for future increases in consumption may be prevented by way of structural changes and continued energy rationalization. Unfortunately, however, the facts somewhat contradict this assertion. Structural changes in industry continue to be slow—last year, in fact, there was even an actual increase in basic materials production—hence it does not appear to be realistic to project that in the future a given unit of energy will generate goods of greater value that in turn will increase our national revenues. Not to mention the fact that as of last year, they have put an end to subsidies for energy rationalization.

Any new basic power plant must be either nuclear or lignite fuelled. As Gyoza Wiegand sees it, the main arguments against the latter are air pollution and the fact that it may be a problem to produce the amount of lignite

they require. Having learned from the lessons of the Bos-Nagymaros barrage, the long-term energy policy concept, along with the question of power plant construction will first be discussed in expert circles, including—among others—the Hungarian Academy of Sciences, the Energy Policy Council and the boards of directors of various scientific organizations and energy producing firms. Furthermore, investment decisions, such as power plant constructions, may also be opened up to a wider social debate. Another reason why this is important to keep in mind is that the impending expansion of our nuclear power producing capacities will sooner or later make it necessary for us to build a pump-operated energy storage facility at Predikaloszek, and this can no longer be treated as an internal matter of the energy industry.

Environmental Protection Costs Reported
25000194a Budapest FIGYELO in Hungarian
30 Mar 89 p 11

[Article by "B.P.": "Environmental Protection Expenditures: Much Amounts to so Little"; first paragraph is FIGYELO introduction]

[Text] Environmental protection investments range from signs that say "Keep Off the Grass" to nuclear waste disposal facilities. In 1981, 0.5 percent of the Hungarian society's gross product (GDP) represented environmental protection investments, in 1987 the rate was 1 percent. This figure is meaningful only if one is aware of the fact that in recent years loss caused by environmental damage amounted to 4 to 5 percent of the GDP.

According to a Central Statistical Office publication entitled "Environmental Protection Investments, 1981-87," the mining industry produces about one-quarter of all industrial production waste in the country. Aside from the fact that waste piles occupy space and make the scenery look ugly, they also pollute the air. Such pollution, however is not dangerous. The mining industry's environmental protection investments significantly increased as a result of the reutilization of waste and the improved protection of cavern waters. The ratio of average annual investments for water resource protection purposes over the 7-year period was 63 percent of all environmental protection investments made by the mining industry. The mining industry's environmental protection investments represent a low 1.1 percent of all of its investments. In 1987 the mining industry invested 419 million forints in environmental protection.

From Chlorine to Nickel

During the 7-year period environmental protection investments by the electrical energy generating industry amounted to 17 percent of all environmental protection investments made by all industries. Due to gas emissions which contain sulfur dioxide and nitric oxides, energy production is one of the worst polluters in industry. Large quantities of ash, slag, sludge, etc., is formed.

Between 1981 and 1987 this branch of industry invested altogether 2.3 billion forints in environmental protection, 82 percent of which was targeted for the protection of air purity. Environmental protection investments by the electrical energy generating industry were highest in 1987, amounting to 742 million forints.

Within the foundry industry, foundries, coke ovens, and large melting units pollute the air with gases. Furnaces discharge heated and polluted water. Regarding the manufacture of aluminum oxide, the storage of red mud creates a special problem.

During the 7-year period the foundry industry invested 2 billion forints in environmental protection, of which 42 percent was spent on reducing air pollution. The ratio of environmental protection investments is largest in the foundry industry. Of all investments the average ratio of environmental protection investments during the 7-year period was 5.5 percent. In 1987 it amounted to 9.2 percent.

In the machine industry 1.7 billion forints were invested in environmental protection during the 7-year period. A significant 65 percent of this amount was targeted for water protection purposes, because waste water containing most polluting agents (all chlorine, cadmium, mercury, tin, and nickel, and a substantial amount of copper and chrome) is discharged by the machine industry. Air pollution, noise pollution, and protection against vibration are the other most significant problems experienced by the machine industry.

In an annual average the machine industry spent 55 million forints for clean air purposes—8 percent of all such investments. Environmental protection investments made by the machine industry amounted to an average yearly 3.3 percent of all environmental investments made by industry as a whole during the 7-year period.

Less and Less

By producing and transporting building materials, and by manufacturing prefabricated building units the building materials industry pollutes primarily the air, but also a significant amount of solid waste is created. The large volume of dust created by the manufacture of cement poses the greatest problem. This can be substantially reduced only by replacing the earlier technology. During the 7-year period the amount of environmental protection investments made by this branch of industry amounted to 0.5 billion forints, and 79 percent of this amount served clean air purposes.

The chemical industry is the largest polluter of the air and water. Its byproducts—polluting agents—do not disintegrate in the natural environment—in water or in the soil. The storage, placement, and decontamination of hazardous wastes is the greatest task. This branch of industry spent 3.7 billion forints for such purposes during the 7-year period. This represents 28 percent of similar investments by industry, and 7.5 percent of all environmental protection investments. These investments were allocated as follows: 48.5 percent for the protection of water, 26.3 percent for waste management, and 19.2 percent for air purity protection.

Certain specialized branches within light industry (e.g., the paper and the tannery industries) are significant polluters of water, and create a great deal of production waste. Total environmental protection investments by this branch of industry dropped from an annual 129 million forints to 95 million forints during the 7-year period.

The food industry made its highest investment—292 million forints—in environmental protection in 1987. Between 1981 and 1987 a total of 1.4 billion forints were utilized. Within this branch spending for clean water protection took the largest share of investments (77 percent), while beside clean air protection (8 percent) waste recycling and decontamination gained increasing significance (8 percent.)

Ratio of Environmental Protection Investments to Total Investments in the Individual Economic Sectors
(in percent)

Agricultural Sector	1981	1982	1983	1984	1985	1986	1987
Industry	2.2	2.0	2.0	2.2	2.0	3.3	4.1
Construction industry	0.2	0.5	0.1	0.8	1.3	2.6	1.1
Agricultural and forestry management	2.3	2.1	2.9	3.1	3.4	3.7	4.3
Transportation, postal, and telecommunications sectors	0.7	0.3	0.4	0.9	0.6	0.4	0.6
Commerce	0.3	0.4	0.7	0.5	0.7	1.1	0.8
Water management	12.1	11.3	17.8	25.2	30.5	39.8	28.3
Other material sectors	—	0.2	0.3	0.6	0.6	0.2	2.0
Nonmaterial sectors	0.9	0.8	0.3	0.5	0.5	0.6	1.8
Total	2.2	2.0	2.6	3.4	3.7	5.5	5.0

Agricultural Pollution

The use of machinery and chemicals in agriculture pollutes the air, while the application of chemical fertilizers and insecticides pollutes the soil and water by way of precipitation. Agriculture's share in water pollution is increasing also because of the specialized animal husbandry plants, in addition to the use of chemicals. With increased pollution, investments aiming for pollution prevention, soil protection and recultivation has also increased. Within agriculture and forestry such investments amounted to 682 million forints in 1981, to 1.1 billion forints in 1986, and to 1.6 billion forints in 1987. During the seven year period agricultural environmental protection investments amounted to 6.5 billion forints. Sixty-seven percent of this amount was spent on the protection of arable lands, while 20 percent was used for water protection purposes.

Motorized transportation increasingly deteriorates the environmental quality. Engine combustion products significantly pollute the air. In addition, they produce much noise. Internal combustion engines emit into the air poisonous carbon monoxide, nitric oxide, lead oxide and other combustion products, and also pollute the soil and the waters. The outdated composition of the antiquated vehicle inventory does not enable rapid change in this branch. During the seven year period the total amount of environmental protection investments in the field of transportation amounted to 1.1 billion forints.

In the field of water resource management 26.2 billion forints were spent on environmental protection during the seven year period. Of this 10.4 billion forints were spent on the construction of waste water purification plants in settlements, the balance was used for the financing of other water purification and protection measures. By virtue of significant results achieved through these investments, by 1987 the properly purified waste water volume increased by 79 percent as compared to the early part of the decade, while partially purified waste water increased by 9 percent. At the same time the volume of waste water not purified reduced by 33 percent. Despite these accomplishments the growth of the capacity of waste water purification plants, and the development of the sewer network fell behind what would have been necessary and what was planned.

All of the above data call attention to the relationship between industrial structural transformation and environmental protection. Namely, if the production structure and the technological level remain unchanged, an increasing share of resources must be committed for environmental protection purposes. This is so despite the fact that the proportion of environmental investments is increasing, nevertheless even the increased investments are dwarfed by environmental damage loss.

Accordingly, a larger share of accumulated industrial profits should be earmarked for the procurement of manufacturing technologies which not only render after

the fact environmental protection investments unnecessary, but are also suitable for the manufacture of competitive products.

Customs Duty Hike; Upset Travelers Expected

Customs Regulations Seen Tightening
25000196 Budapest FIGYELO in Hungarian
6 Apr 89 pp 1, 4

[Article by Peter Felix: "Individual Customs Regulations: Are They Tightening the Screws?"]

[Text] A continually increasing haste may be observed in individual customs regulations. It supposedly reflects the lack of a comprehensive concept. New measures to take effect in the near future are certain to evoke great outrage among the broad strata of the population, because they implement concept which are contrary to goals declared thus far. Even though this is so, and even though the program is delayed, the government has committed itself to a substantially more modern and more realistic customs regulatory scheme than what we had before.

The spirit escaped from the bottle on the first of January 1988, with the introduction of the world passport. Although the financial consequences of this very favorable decision both from both a domestic and a foreign policy viewpoint could have been calculated in advance, the authorities involved wound up struggling with time and could not assess some real dangers. And since miracles don't happen, last year 2.5 million people made use of their foreign exchange allotments and took advantage of the new opportunity. At its present size with an allotment made once every 3 years, the travel category represents a 4-billion dollar burden to the budget.

Private imports suddenly skyrocketed in response to easier foreign travel opportunities. A substantial part of the foreign exchange needed for such imports was acquired by the population through illegal "exchange" transactions—infringements of domestic currency regulations—with Western tourists, the total effect of which produced a substantial reduction in foreign tourism revenues. At the moment the situation is as follows: The large scale use of the travel allotment, and a rapid increase in demand for Western currencies substantially deteriorates the balance of payments.

What can customs officials and regulators of personal foreign exchange do in this situation? There is only one alternative. They must either discontinue or suspend the system of travel allotments, or they can make private imports more expensive, for example by increasing the customs duty rate. The first alternative—and it will not be necessary to go into detail in this regard—would represent a huge political mistake. So there remains the alternative of holding back on foreign shopping trips. An excellent opportunity to do this presented itself last January. By anticipating developments that could be

expected anyway, duty free allowances related to private merchandise imports could have been substantially reduced in lieu of the world passport.

What happened instead? Beginning in early 1988, in some incomprehensible way the scope of duty free allowances was indirectly broadened: anyone could receive a 10,000-forint duty free allowance when leaving the country, and to top it off, on occasion families could combine their duty free allowances! To crown all this, beginning last January the duty on cars was reduced to a minimum, and customs duties were assessed on the basis of the Schwacke catalog rather than domestic sales prices, which in turn produced a further substantial duty free allowance. Accordingly, the citizen has no alternative but to believe that that government found the offsetting of shortages through private import incentives to be the saving grace.

One has to wait as long as 8 April before those in authority will make changes. But who are those in authority? Customs regulation well exemplifies the present difficulties of decisionmaking. Most unsuccessful legal provisions produced in recent years are a result of sweat and blood shed by Ministry of Finance specialists, in many instances ostensibly contrary to their own beliefs. And this is no wonder, because their hands are tied, a great number of bodies and individuals ranging from the Politburo and the CC [central committee] to the government interfere in the operational context, and at that point we have not even mentioned the obligatory interministerial reconciliation system. Under such circumstances it will hardly come as a surprise that only by accident can sound decisions come about from an intertwined mixture of political, social, and economic viewpoints. At the same time even with a searchlight one could not find anyone clearly responsible for the mistakes, because those involved quite appropriately point at each other.

Now that we are up to our necks in the water, a debatable, nevertheless firm decision saw the light of day. But one wonders, could we not have avoided the trauma that will unavoidably descend upon the population as a result of this matter? The answer: a clear-cut yes! Had they entirely wiped out the 10,000-forint duty free allowance for travelers in early 1988, or by setting a maximum limit of 1,500 forints, public outrage today would be much smaller. But as long as the Finance Ministry backed the duty free allowance, it is simply incomprehensible why it continues to maintain a 5,000-forint duty free allowance for travelers within a system that is more complicated than what we had before. One can predict in advance: Within the foreseeable future this duty free allowance too must be drastically reduced, because why support it if the goal is to hold back on private imports?

The general introduction of a 45-percent customs duty rate also appears as an extremely stringent intervention.

The high rate—unparalleled in developed market economies—to a certain extent signals the Finance Ministry's incapacity to act: A market set into motion by way of bad regulations can be controlled by increasing the burden only for a short time.

The question arises: are the newly introduced measures appropriate? Compared to the earlier system they are, by all means. Willing to accept some arguments, however, one may say that from among the two available regulatory alternatives they managed to choose the worse alternative. Namely, with the exception of introducing a system of accounts, the more stringent measures adopted leave the antiquated system of customs regulations unchanged.

Some other solution could have been found, which would have been at least as effective, but substantially more modern could have been found. I don't have in mind some earthshaking novelty: I am talking about the introduction of the general sales tax. Value-added type sales taxation methods of private imports are rather varied in developed capitalist countries. In England for instance products imported from EC countries are subject to a payment of tax only if the country in which the purchase was made has a lower general sales tax than England. In such cases the difference between the two countries' sales taxes must be paid. Theoretically the entire general sales tax must be paid if the purchase was made in a country outside of the EC.

In the FRG all imported goods above the duty free limit are in theory subject to the payment of duty, but only if the private importer wants to resell the merchandise in question.

In Sweden, irrespective of the intended private use or resale of a given merchandise, the general sales tax must be paid over and above the duty free limit.

The above examples should serve to prove that the introduction of a general sales tax would slow down private imports, and would be consistent with European practice. In addition, the idea of a general sales tax would produce several additional advantages. The understanding of these advantages, however, requires a few words of explanation.

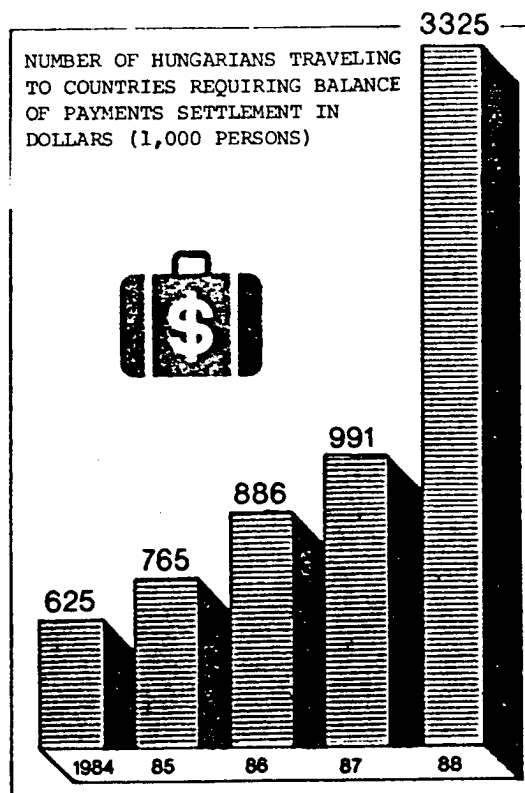
Generally speaking, capitalist countries do not distinguish between private and commercial customs tariffs. This is one way by which competition neutrality can be established between imports of a private and a commercial character. In contrast, in Hungary up to now there were three types of tariff schedules in force: travelers', gift, and commercial tariffs, and the customs duty rate for each category was different. Beginning on 8 April the number of tariff schedules will be reduced to two: private sales, and commercial tariff. The difference between the two is rather substantial. Merchandise imported on a private basis is uniformly subject to a 45-percent customs duty, while in regard to commercial tariffs the

average rate is 15-16 percent. Within this average, however, the spread is rather great. At the same time, commercial imports are also subject to the payment of a 25-percent general sales tax. And although it is true that in regard to both types of tariffs customs duties are levied on the basis of invoice value, merchandise channeled through the commercial route is purchased by authorized importers not at the retail price, but at the producer price, perhaps at the wholesale price. Thus the merchandise is much cheaper. Accordingly, it appears that from now on the tables have turned, and that state commercial ventures will be in a more favorable position than private importers. This reverses the heretofore unfavorable position of state commercial enterprises.

Having explained these matters we may revert to the advantages offered by the general sales taxation of private imports. First of all, the private and commercial tariff schedules would cease to exist, and all imported goods would be uniformly assessed according to the latter schedule. Second: In the future the tariff rate could be changed only if the commercial tariff is uniformly changed. Thus, the continued rendering more expensive of private imports would become significantly more difficult. Third: the principle of competitive neutrality would prevail much better.

Quite naturally, this system too would have some virtually unresolvable contradictions. The greatest concern would be that the administrative burden increases tremendously. This is so because the commercial tariff schedule enumerates individual goods item by item, base materials and component parts, and attaches individual amounts of customs duty to each item. It would also become difficult to assess or reclaim the general sales tax on merchandise brought in by foreigners. Considering 19 million foreign visitors per year, this would constitute a huge increase in work. Accordingly, the problem is primarily technical, one that would presuppose computerization of the entire customs administration. The entire staff of the National Customs and Internal Revenue Service would have to be expanded, and we could go on and on. No doubt, a system of this kind cannot be established overnight, but if persons in authority had given serious consideration to take such steps, they would have had 2 and ½ years to resolve the problem beginning on the date the general sales tax was introduced. It is also certain that sooner or later a general sales tax must be assessed on private imports. All in all then, it would have been wiser to choose this solution.

Of course, other ideologies exist. These show why the government decided to favor the present form of rendering private imports more expensive. They claim—and this is an unquestionable fact—that the commercial tariff schedule is extremely obsolete, because a major portion of the items reflects a semicolonial customs policy outlook dating back to Maria Theresia. Thus, for example, the importation of a large number of base materials and components parts is subject to a 33- to 45-percent customs duty, while a number of finished



products draw only a low, 5- to 15-percent customs duty. The growth of private imports and the broadening of import liberalization created an extremely unpleasant situation for many domestic producers. They claim that their prices are noncompetitive primarily because the high costs of importation must be conveyed to consumers.

At this point—finally—financial management is determined to develop a unified customs code. It would specify tariff rates consistent with practices of developed capitalist countries, while observing certain priorities. The composition of the unified customs code will require a prolonged endeavor, however. Those in authority claim that it makes no sense to apply general sales taxes to private imports until the unified customs code is prepared. This viewpoint is strongly debatable however. Even conservative estimates hold that work on the unified customs code can be expected to be completed by the middle of 1991, at the earliest.

Those who hope to see a reduction in individual demand for capitalist currencies are very optimistic. By virtue of growing inflation, present interest policies, and not to the least the lack of confidence in the present fiscal orientation of financial policy a large part of the population will secure its money which it is unable to spend

on shopping in the form of legally or illegally acquired foreign exchange. On the other hand, the sales volume of the already mushrooming foreign exchange shops will significantly increase as a result of rendering private imports more expensive. Third: Since they did not dare to touch the duty free allowances attached to foreign exchange granted for the purchase of cars, an outflow of foreign exchange in the order of several hundred millions of dollars can be expected. This is even more so because at the moment there already are more than 40 boutiques selling dresses for dollars, and licenses for 20-25 more have been issued already.

Finally, there is one more piece of information which makes one think twice. Quite a few experts say that actually, the measures now introduced are not really that frightening. The fact that henceforth not the domestic retail value, but the invoice will serve as the basis for assessing customs duties, will reduce roughly to one-half, one-third the amount of customs duties collected even though their rate was nominally increased by 15 percent. Accordingly, it is highly questionable whether discontinuing the 10,000-forint duty free allowance and the opportunity to combine such duty free allowances will indeed "appropriately" render private imports more expensive. If this is not the case, should we prepare ourselves for yet another increase in customs duties?

Foreign Exchange Outflow According to Chief Forms of Foreign Exchange Supply

Designation	1985		1986		1987		1988	
	Number of Persons ¹	US\$ ²	Number of Persons	US\$	Number of Persons	US\$	Number of Persons	US\$
Tourist provisions	184.9	50.6	211.8	64.9	200.6	68.4	2532.3	393.2
Minor child	15.9	0 ⁴ .0	22.4	0	21.4	1.2	164.3	9.1
Visitor provisions ³	273.0	11.5	293.7	13.9	269.9	14.8	243.7	13.5
Fuel costs	92.9	7.5	116.7	10.1	111.8	9.0	827.3	68.8

¹ in thousands

² in millions

³ Beginning in 1988: 3,000 forints once a year

⁴ "O" amount included under tourist provisions

Government Wants Less Shopping Abroad

25000196 Budapest FIGYELO in Hungarian
6 Apr 89 p 4

[Interview with Finance Ministry chief division head Dr Laszlo Borbely, by Peter Felix: "We Would Like To Discourage Shopping"; date and place of interview not given]

[Text] [FIGYELO] Why did you wait until the beginning of April to introduce new customs regulations? Many believe that this could have been accomplished as early as of 1 January.

[Borbely] We are dealing with a very complicated specialized issue. We must render a decision that produces a solution acceptable to all interested persons, or at least to a majority of interested persons. Completion of the regulatory work was substantially prolonged as a result of mediation and the clashing of viewpoints. In my view the fact that in the end the new legal provisions became effective prior to the real tourist season is important.

[FIGYELO] It was proven already last year that the 10,000-forint duty free allowance is so high that it is unrealistic. Couldn't you have at least reduced that duty free allowance beginning on 1 January?

[Borbely] In our judgment it would not have made sense to deal with part of the issue, because we undertook the development of a unified legal provision, in which we had to observe the mutual effects of various elements. Many were apprehensive and told us that we could have substantially reduced the 10,000-forint duty free allowance already in the middle of 1988, while we felt that this would not have been fortunate in the middle of the year, during the high season.

[FIGYELO] I sense a contradiction in the fact that while you stand up in favor of restricting private imports, you continue to grant a rather high, 5,000-forint duty free allowance on each occasion. What sense does this make?

[Borbely] Present changes are not exclusively more stringent, moreover, in my view, from the citizen's standpoint, the forward-looking, clearly favorable elements are much more important than the restrictive ones. In terms of international practice, too, we find that the maintenance of a duty free area remains warranted, but one can, of course, debate the extent of how much should be duty free.

[FIGYELO] In your estimation, what effect will the assessment of customs duties on the basis of invoice value have on resale-destined private imports?

[Borbely] Profits derived from the sale and purchase of imported goods will certainly decline. This is explained by the fact that if we take the invoice value rather than the domestic sales value as a basis, the customs duty assessed will be substantially reduced. At the same time the foreign purchase price does not change, nevertheless 80 percent of the difference between the domestic selling price and the invoice value, as increased by the amount of customs duty, will still be withdrawn by the state. Accordingly, previously the private importer was interested in paying customs duties on as high a value as possible, because in this way he could increase his profits. In the future there will be a smaller opportunity to accomplish this. At the same time, durable consumer goods imported for private use will be subject to significantly less customs duty.

[FIGYELO] Are you not concerned that as a result the importation of computer technology, medical, etc., equipment will significantly decline? This kind of equipment entered the country mostly in the form of private imports.

[Borbely] This is indeed conceivable, but if we take the broadening of import liberalization seriously, with the passage of time business organizations operating in the form of legal entities will be able to compensate for part of the equipment not imported through private channels.

[FIGYELO] The question is, however, to what extent the state and the entrepreneurial sphere will be able to adapt in a flexible manner to these special needs.

[Borbely] As the multitude of organizational forms increases, as market mechanisms begin to function, so will the smaller firms specialize to satisfy special needs. Needless to say, one cannot guarantee that enterprises replacing private imports will be able to procure for example a component part with as much flexibility and speed, if a firm requires delivery within 3 days, and even if that firm is willing to pay an unrealistic high price.

[FIGYELO] A great debate is going on in professional circles whether it would have been more useful to extend the general sales tax to also cover private imports, rather than having the present changes in customs regulations.

[Borbely] In my personal view, two things would be needed to accomplish this. As much as possible, one must also prepare technically and in terms of organization for the increased administrative workload. Development of an appropriate computerized system and of the border crossing points too would be indispensable. There is neither money nor time to accomplish this in the near future. Undoubtedly, later on it will be appropriate to extend the general sales tax also to private imports, in the interest of competition neutrality. This will become a timely task when we arrive to the point that a unified customs system is established.

[FIGYELO] Couldn't you have separated these two matters, by introducing the general sales tax prior to the establishment of a unified customs code?

[Borbely] This variation could be useful perhaps in theory. In practice however, considering the country's capacity, taxpayer morality, and technical and technological preparedness it is unresolvable at present. There are countries in which citizen discipline is at such high level that the abuse of the tax system is gravely condemned by society, but Hungary is still far from this state of affairs. We have only a single year's experience behind us in regard to general sales taxation, and I feel that both the authorities and the population must prepare themselves for such a decisive step. They must accept the idea of subjecting private imports to the payment of general sales taxes.

[FIGYELO] How durable do you think these measures are also in the long term?

[Borbely] There are provisions which will survive in the long term, but there also are parts of measures which were included as a matter of temporary necessity. I view this as natural, however. I consider the assessment of customs duties on the basis of invoice value as a revolutionary change, even if according to some people this provides more opportunity for abuse than before. Legal regulation, however, must not use suspicious hypotheses as a starting point, and I feel that we would make the biggest mistake if we were to continue to treat the population like infants.

The rate of benefits is always the function of the given financial and economic situation, these are subject to change also in the short term, but not this year, of course. In the long term, however, one finds that only a reduction of rates is likely. I do not view the 45-percent rate as durable either, because much more modest customs duties will be warranted under a unified customs system augmented by general sales taxes.

[FIGYELO] As long as you mentioned the 45-percent customs duty—don't you think that this is unrealistically high?

[Borbely] In and of itself it would indeed be high. In light of other modifying measures, however, I do not feel that it is. In the context of an international comparison is unquestionable that the rate is by far lower in developed market economies, but in those places you must also add the general sales tax. In formulating a unified customs code we intend to thoroughly consider the international experience.

[FIGYELO] Taken as a whole, how do the new customs regulations affect the travelers' attitude and wallets?

[Borbely] Quite naturally, the various traveling strata are affected in different ways. According to our forecast, far more people will be paying customs duties than before,

at the same time, however, the duty assessed for individual products will decrease. There will be, of course, a stratum which is particularly sensitive to the new changes. We are talking about people who up until now took advantage of the unusually liberal benefit system, and went shopping each day or each week with an intent to resell [the items].

According to our calculations [the end result] is unchanged, i.e., assuming that the 1988 volume and structure remains, 1 to 1.5 billion excess customs duties may be realized this year from private imports. Prior to promulgating new measures we counted on collecting 2.5 billion forints in customs duties altogether, and thus this year's state revenues from customs duties may amount to 4 billion forints.

Changing Customs Laws

25000196 Budapest FIGYELO in Hungarian
6 Apr 89 p 4

[Text] After the new rules go into effect, privately imported merchandise subject to customs duty will be assessed on the basis of the foreign value, or the purchasing price. This is consistent with international requirements. Generally speaking, the foreign value must be evidenced by the presentation of an invoice. Lacking an invoice (e.g., in case of a gift) the traveler may declare the foreign value of the merchandise. Lacking an invoice, and if the traveler is unable to declare the foreign value, the customs officials will provide an estimated value based on their knowledge of the foreign sales price, and will assess customs duty on the that basis.

The modified customs rule discontinues the earlier traveler's and gift customs tariffs, and in its place enables the introduction of a uniform private sale customs tariff at a 45-percent rate, irrespective of the circumstances by which the merchandise was acquired.

Upon each reentry to Hungary, every Hungarian is entitled to a 5,000-forint duty free allowance, and the customs duty free allowance for children under the age of 14 will be 1,000 forints.

This duty free allowance cannot be applied in the course of customs clearance of a piece of merchandise having an individual value in excess of 5,000 forints, accordingly, the 5,000 forints cannot be deducted from the total value subject to the payment of customs duty. Equally, the combination of the duty free allowance of individual family members traveling together will not be possible according to the new rules. Travelers will provide a written declaration by completing a new "statement of goods subject to customs duty and of foreign exchange" form. This form is valid upon the payment of a 100-forint fee stamp.

It is mandatory to complete a statement of this kind in each instance when a traveler has on him foreign merchandise subject to the payment of customs duty valued

in excess of 5,000 forints, or if he has on him goods of a commercial character, irrespective of value. According to customs tariffs in force concerning private trade, merchandise subject to the payment of customs duty is one which exceeds the following limits: up to 500 forints unit value: 10 per each type; up to a 2,500-forint unit value: 5 per each type; up to a 5,000-forint unit value: 2 per each type; above a 5,000-forint unit value: 1 per each type.

The designation "per each type" shall be understood as the usual measure of unit in which a given merchandise is sold, or is made available for retail sale (i.e., piece, kilogram, pair, liter, meter, box, etc.).

Customs clearance of imported merchandise subject to the payment of customs duties is conditioned by the requirement that the person seeking customs clearance is able to account for the foreign exchange he used to purchase the merchandise. Total amounts of merchandise valued at more than 10,000 forints can be cleared through customs only if legally acquired foreign exchange used for the purchase of the merchandise can be shown.

Proof of coverage can be evidenced by foreign exchange obtained through purchase from foreign the foreign exchange allotment for private purposes, or drawn on a foreign exchange account or a travel BC [bank clearing] account, and taken abroad by permission; and further, foreign currency not exceeding 4,000 forints in value which may be held by each person without permit.

In cases involving gifts of merchandise or money received abroad a certified statement concerning the transfer of the gift must be provided.

As the new legal provisions take effect, statements of goods, the assessment of duty, and the determination conveying customs clearance will be processed by computers. The assessment of duties, and a voucher to be used for the payment of customs duties will be forwarded to the persons by mail.

Customs duties due must be paid within 30 days of receipt of the determination, penalty for late payment has been established at 1 percent per day for each day of delay.

Customs duty determinations are subject to appeal within 15 days from date of receipt of notice. Appeals are to be filed with the customs authorities who issued the determination.

Regulations concerning the customs clearance of automobiles that took effect on 1 January 1989 remain unchanged.

Source: Ministry of Finance

Telecommunications Development: Optimum Model Sought

25000211a Budapest FIGYELO in Hungarian
13 Apr 89 p 9

[Article by Dr Krisztina Heller: "Yet Another Deregulatory Model for Telecommunications"; first paragraph is FIGYELO introduction]

[Text] The deregulation of Hungarian telecommunications opened the door to the development of telecommunications. In FIGYELO No 10, 1989 we learned of two alternatives by which competition could enter this field. These models conjure up a number of thoughts, at the same time however, these thoughts also render these models uncertain. Will we receive an answer as to how the optimum model should be "put together" by using the deregulatory elements? What criteria do we have for the optimum solution?

Let us start by saying that the goal is to satisfy the consumers' telecommunications needs to the fullest possible extent. This level of satisfaction may be defined in terms of accessible services and low service costs.

In establishing the logic of the deregulatory model we must define which areas of telecommunication development may be governed by market conditions.

Supposedly, market conditions could prevail in the money market, in regard to investments required for network development and the placing of networks into operation, as well as in telecommunication service provisions, i.e., in the area of operations. Let us examine all three markets!

At present the telecommunications field generates developmental resources sufficient to increase the number of stations at an annual rate of only 4-6 percent. We may consider serious expansion only by attracting external resources.

Aside from state budgetary subsidies, external resources may be obtained in two ways. We may seek non refundable contributions from subscribers. (This is an expressly antimarket method, because this solution may be applied only because of the presence of an asymmetric—monopolistic—situation of interest; the Postal Service may convey its possible losses to the consumers.)

The other solution would be to utilize money markets. In this regard the following viewpoints must be weighed. Should we obtain commercial credits or bank credits? Commercial (or mercantile) credit is usually granted by manufacturers, so that we purchase their products. This kind of credit is highly anticompetitive, however. Namely, if we enter into a commercial credit agreement, we will have to purchase the goods from the manufacturer [who loans us the money], even if there are offers

more favorable from the standpoint of price and technical characteristics. In this case, as buyers, we thrust ourselves into a situation of dependence.

Bank credit may be granted by one or more banks. If capital is accumulated from several sources, it is useful to establish a banking consortium or an investment company. We must not forget about one significant difference, however. Foreign money markets are buyers markets, while in Hungary there is a shortage of credit.

Generally speaking, telecommunications is a secure business. On the other hand, in the eyes of international money markets Hungary is considered a moderately secure place for investments. At the moment, Hungarian telecommunications has a maximum credit potential. According to calculations, in the near future (in the course of rapid development and the exchange of old equipment) the income producing capacity of the Hungarian telecommunications system will deteriorate temporarily, but within the foreseeable future it will begin to improve. This period, however, may be bridged by using other financial means (such as for instance by agreeing to make delayed payments at a higher interest rate.)

We may conclude that as compared to commercial credit, bank credit probably provides a better chance to permit competitive conditions to prevail.

Lines Are Not Forming

From the standpoint of the organizational and institutional system of telecommunications it is of fundamental significance to what extent we rely on external resources. Namely, the size of such resources, as compared to our own capital, must not be too large, because if it is we could not guarantee repayment (the extent of the organization's indebtedness would be intolerable.) On the other hand, it cannot be too small either, because the financial terms for smaller amounts of bank credits are frequently worse. And insofar as foreign operating capital is concerned, it is likely to flow into Hungarian enterprises if the capital share is large enough to permit the investor to influence the management of the enterprise.

If capital to be invested is composed of several low volume investments, it makes sense to combine those small investments in the framework of a banking consortium or an investment company, thus earning interest.

There is an oversupply of manufacturing resources for telecommunication equipment in world markets today. For this reason great pressure is exerted in favor of large volume commercial credits. Thus, from the standpoint of making use of money markets, telecommunication organizations with strong capital have a clear advantage.

There are not many firms which would want to invest in Hungarian telecommunications. Accordingly our selection is not impeded by the abundance of choice. By doing some marketing work and by issuing tender invitations we could, of course receive more offers and learn about new possibilities. It is likely that the organizational transformation of telecommunications will be fundamentally determined by the way and by the source we attract for the external financing of development.

The next market factor is the manufacture and purchase of fixed assets (investment products) needed for network development. A few large manufacturers dominate the international market for network equipment. Competition is rather keen, technology develops rapidly, prices go down each year. We cannot say all these things about the domestic market. In Hungary we have a sellers market, technological and qualitative levels are lower, prices are higher and shortages are frequent.

The manufacture of telecommunication equipment becomes economical only in large series production. Compared to that, the Hungarian market is very small. In other words: it would be inconceivable to base every aspect of telecommunications development on domestic manufacture. But it would be equally impossible for the manufacturers of telecommunication equipment to satisfy the needs of the Postal Service, while they are not capable of exporting.

Without Commitment

This is the area where the market, in the classic sense of that term (many sellers and many buyers) can be understood only at the international level. In the future we must render Hungarian telecommunication technology competitive in the export markets. And insofar as the Postal Service is concerned, we must enable that organization to purchase its means from the source most favorable from the standpoint of the Postal Service. It is obvious that the foreign exchange balance will not be balanced overnight, but in the framework of a well thought through strategy we can balance it in a span of 10-15 years. Several countries may serve as examples, countries which not too long ago were more backward than we are, and today they are integral parts of the global telecommunications market. (e.g., Spain, Greece.)

Generally speaking, large volume purchases can be made at heavily discounted prices. For this reason too it would be advantageous to place large orders, thus rendering network development in a concentrated fashion. We must not make long-term commitments to a few shippers. We must maintain competition, even at the cost of having several types of equipment coexist. There are several international examples for this too.

The Hungarian Postal Service is in a very unfavorable position of dependence vis-a-vis export oriented (eastern) monopolistic manufacturers. Nevertheless, one could perceive a situation that is even worse than the

present untenable situation: if, as a result of deregulation several telephone companies appear which compete with each other for the "grace" of domestic shippers whose capacity has remained unchanged.

The third area is the market for telecommunication services. In recent years in a few countries they authorized the simultaneous presence of several telecommunication companies, thus enabling competition in telecommunication service provisions. Moreover, they have not excluded from the market even the basic service provisions. There are two kinds of competition: direct and indirect.

Under conditions of direct competition parallel networks are developed in the same area. These compete with each other for consumers. This makes sense primarily in long distance communications, because the development and operation of parallel networks becomes efficient only in such cases because of the large volume of traffic and various technologies (e.g., satellites, cables, etc.) (In the United States we find overlaps also in local network coverage.)

In terms of services we may speak of indirect competition only if a subscriber may use the services of only one company, but at the same time may become familiar with the service provisions of another company also. If the "neighboring" company's operations are more successful, the subscriber may exert pressure on his "own" company. Characteristically, this model may be found in small organizations.

In Hungary, parallel networks would make sense in special cases at best, nevertheless, in my view there is greater opportunity for indirect competition. This type of competition would assume the existence of smaller organizations, which does not necessarily mean a multitude of independent companies. This function can be performed by the financially independent units of the Postal Service, as well as limited liability and stock corporations established jointly with local government (councils).

I feel that it is important to state that we will be able to establish the most favorable telecommunication policy and institutional system only if we combine these individually optimized spheres into a unified whole. With the enactment of the new Postal Service law we will have available all the required legal framework to accomplish this.

In my judgment, the optimum deregulatory model is as follows:

External resources needed for development would be combined within an international banking consortium and/or investment company. Manufacturers could be part of such consortium or company. Entrepreneurs would be chosen on the basis of competitive bidding.

With Operating Capital

External resources should be attracted in the form of operating capital (namely, such capital does not carry a retroactive burden, and thus is far more favorable than credits). In order to obtain such operating capital, the [future] Hungarian telecommunications company operating as a stock corporation or as a holding company engaged in the realization of the unified development function would issue an invitation for competitive bidding. One or two bidders who make the economically and technically most favorable offer would be awarded contract(s). Hungarian industry would make its offer in the capacity of a subcontractor in the international market. In case of a favorable offer independent companies may be established in certain partial areas in which the holding company may or may not want to play a role.

Finally, operation could be entrusted to a reasonably small, but well-defined profit center or to small companies (stock corporations or limited liability corporations) operating under the holding company. These should possess appropriate business and/or technical capacities.

The above described deregulatory model eliminates the shortcomings of the two alternatives described in the above mentioned article. It avoids the vertical integration of financing, manufacturing and service provision found in the first alternative. It seriously limits competition. The above described deregulatory model provides more advantages than the second alternative presented in the earlier article, because it utilizes the money market and procurement advantages that flow from large volume capital and large dimensions in a manner so as to retain the positive aspects of service provision by smaller units.

10-Year Implementation for Agrarian Reform Projected

25000209b Budapest FIGYELO in Hungarian
13 Apr 89 p 11

[Interview with Agrarian Research Institute director Dr Bela Csendes by Peter Bonyhadi: "Agrarian Reform: At Least 10 Years...."; date and place not given]

[Text] Official and yet unofficial political organizations have prepared a broad brush sketch of the agrarian policy of the future. The question of questions is how, in what time frame, and under what conditions the concept, which is more or less a result of a social consensus, can be transplanted into practice. Our reporter Peter Bonyhadi posed this question to Dr Bela Csendes, Director of the Agrarian Research Institute.

[Csendes] Agricultural enterprising, leasing and the development of small farming supported also by now evolving agrarian policies began to evolve in the agricultural sector already earlier. It is to this extent that we can say that in certain respects agrarian reform has begun already. The broadening of earlier enterprise initiatives

and the formulation of new solutions hastens the need for legal recognition (new land law, new cooperative law, etc.) and the development and resolution of specialized as well as political issues.

Today we know little about how farmers would react to for example the sale and purchase of land, and to leasehold. On the other hand we know that without political and legal guarantees we cannot expect a resounding success in these areas.

In order to accomplish independent farming, or even only enterprising within cooperatives or state farms, certain matters, such as wage and pension issues must be settled. Proprietary farming also demands that the issue of land inheritance be dealt with.

Substantial changes must be made in the fields of pricing, taxes, and social security in order to allow multisector proprietary business, enterprising, or initiative to evolve.

The matter pertaining to cooperative assets must be settled clearly. Within that we find land valuation, the divisibility of part of the land, the future ownership of land belonging to members, and a solution must be found to convey a sense of ownership to the cooperative membership.

This is conceivable, for example by registering certain parcels of land in the names of various members, just as it is the case in regard to divisible common property. Based on the individual assignment of land, part of the income would be distributed as rent. In doing so, the members would not become actual owners of cooperative land.

In the absence of ownership interest conveyed through the payment of such rental fees, one cannot think of a sense of land ownership. This arrangement could forestall the strengthening of endeavors which could lead to the breaking up of cooperative land.

[FIGYELO] Is the final sentence of the statement you just made going to be invoked by many who wish to preserve the so-called socialist achievements of cooperatives at any price?

[Csendes] I do not believe that in a political and economic sense there would evolve a broad left-wing opposition to this program. But since the change involves existing interests, it is certain that there will be some who feel that certain changes are excessive.

For example, by invoking the present formal cooperative democracy, a cooperative manager may see the changes as endangering the management methods used thus far, and may envision the existence of large farming units at risk.

I believe that producer cooperatives have become so much a part of Hungarian agriculture, that changes like introducing the multisector character or strengthening the concept of ownership by members will render cooperatives more effective.

Of course, also within the cooperative membership one may expect rather divided views. For example, in places where cooperatives have no right to exist because during the past 20-30 years they survived on the basis of subsidies, members will be concerned about any kind of loose cooperative form, because they sense that the security provided by the large plant is threatened.

Frankly, in such places it will be more difficult to manage in an independent, loose cooperative form. I cannot imagine that in such unfavorable areas the cooperatives would transform into individual farms or into specialized cooperatives, if they wanted to make the members repay the debts left behind by the cooperative.

[FIGYELO] The new agrarian policy also represents a new village lifestyle, a new lifestyle in the countryside, a new infrastructure. But would the villages be able to restore their own prefectures, their own schools? Is there an opportunity to discontinue the overly centralized direction? Can a village once again become a unified social and economic unit?

[Csendes] I cannot agree with the idea that five separate cooperatives should replace a cooperative that consists of five villages. This would mean five office building and five presidents, and this would just place agriculture into a disarray. Namely, if enterprising develops on the basis of internal entrepreneurial groups, leases, and family property, supposedly these would be organized on the land belonging to the people who live in that given village. Part of these lease holdings and enterprises will continue to be linked to the cooperative headquarters, while other parts may perhaps become independent.

It is apparent that if a member has a long term lease on property, or if he can acquire property his primary linkage will be to the village, irrespective of his linkages to the cooperative. And if he feels like good farmer in his village, the development of the infrastructure will be instantly in his interest, and so will the fact that public affairs be conducted in good order.

[FIGYELO] Aside from peasant romanticism and the illusory fantasies related to Hungary as a garden state, can this kind of enterprising represent a renaissance for the peasantry? I'm asking this because people engaged in agriculture today are much more like people from the countryside than they are peasants.

[Csendes] Certain peasant values, rather than the love of land, farming, independence and risk taking should be restored. And family values should once again acquire their proper status. This would strengthen the adherence to the place and to the land, and this would be important

from both a moral and a societal standpoint. I do not believe that today's cooperative membership will fully transform into a new type of entrepreneurial group. But I find it conceivable that there will come about a farming stratum composed of 100,000-200,000 families that will have a real peasant mentality.

In the first 5 or 6 years it is likely that farmers using large farming plant machinery in the form of rentals or services will be characteristic. Paralleling this, however, the manufacture of small and medium size machinery must be established, which then can be used by several families or on an entrepreneurial group basis.

[FIGYELO] In order to have such evolution, however, we need new industrial and financial policies.

[Csendes] I am confident that under the conditions of a market economy industry will be compelled to serve an agriculture whose structure has changed. There are a number of such compelling forces. For example, the fact that in Western markets competitive requirements are on the increase, and that in conjunction with CEMA reform the possibility of selling outdated industrial series is likely to go down.

Fiscal policies are a different matter. In this regard we must find a solution based on the peculiar features of agriculture and on agriculture's peculiar proprietary circumstances. This could be accomplished as it is in Western countries, by having family farms pay taxes on a simplified basis, for instance. The artificial distinction between wages and net income within peasant income must be discontinued. Namely, if this is not changed, every agricultural enterprise which has tax implications will depend on fiscal policy. This kind of dependence can kill the initiative.

[FIGYELO] There is agricultural over production. Even if all you have said thus far becomes reality, how would all the agricultural products of Hungary turn into actual money?

[Csendes] Agricultural policies cannot succeed as long as monopolistic situations prevail in commerce insofar as the means of production are concerned, in buying up and in the food industry, as long as large enterprises are not linked to foreign and domestic commerce even from a proprietary standpoint, as long as these are not complemented by private commerce based on small enterprising and family farms. Accordingly, proprietary reform must be implemented also in commerce and in the processing industry.

Proprietary reform introduces variety also in plant sizes, which in turn determines production structure. Agricultural plant size greatly predetermines what farms will produce. Large scale farming can produce primarily

wheat, sunflower seed and cultures subject to mechanized cultivation, because they are not capable of efficiently growing other produce or commodities. In contrast, a small- or medium-sized farm will concentrate on manual work intensive plant cultures and animal husbandry requiring great care, and thus results in quite a different production structure. Small farms can adapt to the market faster and better if also the commercial structure adapts to them.

The big question is how we should link domestic producers to the world market. Only one thing can be done, and that is what has been done before: Producers must sense long term trends in world markets, and these must be linked to domestic production and economic conditions, as, for example, guaranteed prices and protectionist prices.

The Hungarian economy needs the assets that can be produced through agricultural exports, moreover it will need more of those assets. And as long as this is so, the conditions appropriate for producers must be established. One conceivable solution would be to apply special exchange rates to agricultural exports, even though many argue with this idea.

This, so-called green exchange rate would stimulate domestic producers to produce what is economical from their standpoint in world markets. If, for example, a producer receives 67 forints for a dollar, then it may be more worthwhile for him to produce wheat, because, perhaps pork does not fit into the 67 forint dollar exchange rate.

Under the present system that commodity is subsidized which has a higher domestic price than the corresponding export price. In cases where the domestic price is lower than the export price they take away the difference. This amounts to anything but the correlation of world market prices and domestic prices.

Such correlation would, of course rearrange the agricultural production structure. It would take time to make these adjustments however, because agriculture must prepare itself for such change. One should assess whether a rearrangement of this nature would reduce or increase our total exports. This is not only an agricultural issue. This involves the entire people's economy.

All these involve tough interest protection and price support struggles. This is why we need an effective chamber of agriculture, where the increasingly pronounced interests clash, where the solution may come about on the basis of market conditions, one that is acceptable to the people's economy and in which producers too are satisfied.

[FIGYELO] Will it take years or decades before the new agrarian policy becomes functional?

[Csendes] Insofar as new agrarian policies are concerned, and this means proprietary reform, transforming the functions of large plants, enterprising, lease holding, and the settlement of matters related to land among other matters, this will be realized on a continuous basis. Reform processes will begin if economic regulations are adjusted to these matters. But we need a minimum of 5 years, but rather 10 years before mixed farms develop, before the functions of large plants change, and before real conditions for risk taking evolve. And to this one should add another 5-10 years needed for a change in human behavior. And this is so only if we do all these things correctly!

Ikarus-Csepel Price Dispute Saga Continues

Ikarusz vs. Csepel Update

25000209a Budapest HETI VILAGGAZDASAG in
Hungarian 15 Apr 89 p 9

[Text] Even at press time negotiations continue between representatives of Ikarus, Csepel Auto, and the government in order to continue production in the plants, meaning that Csepel Auto would once again deliver bus chassis, and that the Ikarus Szekesfehervar and Budapest plants would resume work. Supposedly the two enterprise presidents reached an agreement: Csepel Auto will make deliveries temporarily from its existing stock, thus Ikarus can manufacture buses. They stated that each of the enterprises will absorb half of the 250,000 forint production loss. In the course of negotiations government representatives suggested that they were leaning toward solving the situation by providing several hundred million forints worth of assistance to bridge present financial difficulties.

As reported earlier, last Friday the Ikarus Szekesfehervar plant stopped production, the Budapest plant followed suit on Monday, after Csepel Auto failed to deliver the chassis. Csepel's decision was triggered by the fact that Ikarus refused to accept a 10 percent price increase. Among other reasons, the auto works was forced to increase its prices because its own subcontractors—rubber, paint, and foundry enterprises—announced that they would increase their prices by 10 to 40 percent. These products are indispensable to Csepel Auto.

For years, Ikarus had growing concerns about not being able to offset domestic price increases by reducing production costs or by passing on such increases through socialist export prices. The fact that these concerns did not surface thus far, and that Ikarus was even able to show profits realized in the socialist market may be attributed among other matters to the fact that even last year Ikarus received state budgetary subsidies amounting to about 1 billion forints. This year however, due to a higher ruble exchange rate the government did not provide subsidies, moreover it withdrew 5 percent of the enterprise's socialist export income. Considering the factory's 20 billion forint annual sales volume, the withdrawal which took place in the form of tax payments

amounts to 1 billion forints. Ikarus sells 80 percent of its products in the socialist markets. It owes 200 million forints to Csepel Auto from last year. The bitter ending of the controversy between the two enterprises ultimately struck the Ikarus workers who were sent home on unpaid leave, and no one knows why.

Mediation, Tax Reduction Bailout

*25000209a Budapest FIGYELO in Hungarian
13 Apr 89 p 10*

[Unattributed report: "Broken Axle"]

[Text] As the daily newspapers reported: as a result of price disputes and solvency problems work stopped first at the Szekesfehervar plant of Ikarus Auto Body and Vehicle Works, and later at its Budapest plant. At press time, following last Monday's mediation with Csepel Auto Works, the two enterprises were able to resolve the disputed issues only at the expense of the state budget. Just as that could have been foretold.

Ikarus and Csepel Auto, the two large enterprises in the Hungarian vertical structure of bus manufacturing, cooperate with 500 partners, including some large enterprises such as Taurusz, the Danube Iron Works and Raba. Price increases introduced by the subcontractors affect Csepel Auto first—they manufacture the chassis—then accumulate at Ikarus which manufactures the final product.

So far so good, except that Ikarus is unable to convey price increases in its export prices. For the same reason, in 1988 Ikarus received 900 million forints in state subsidies. The subsidy amounts to 5.5 percent of the total sales revenues. As a result of changes in regulations governing ruble exports the enterprise will pay 5 percent production taxes this year. This negative effect which amounts to a total of a 10.5 percent reduction in profitability and is in proportion with sales revenues is offset by the fact that the ruble exchange rate increased by 11.5 percent, and is further increased by a 3.5 percent price increase Ikarus succeeded in obtaining in CEMA markets. But the ripple effects of price increases thus far have exceeded 10 percent, even though producer price increases were estimated between 8 and 9 percent for the entire year. Using Ikarus' 20 billion forint production value as the basis, this means that Ikarus may accumulate a loss of more than 1 billion forints by the end of the year.

This situation is coupled with payment difficulties. A growing number of cooperating partners stand in line [to get paid], and several partners have stopped deliveries. While inventories were quickly depleted in Szigetszentmiklos and in Matyasfold, the people involved postponed making a decision until after the weekend.

As we learned from the Ministry of Industry, any conceivable solution will be to the detriment of the state budget because of the size of loss, even though some of

the loss can be covered by the affected enterprises. At Ikarus wages represent only 5 percent of all expenses. Simply put: An arrangement is needed by which the income and expenses of the final product manufacturer can be harmonized.

For 1989 Ikarus has committed itself by virtue of contract agreements to export 1,200 buses to the GDR, 600 to Poland and Czechoslovakia, and 3,800 to the Soviet Union during the first half of the year. Ikarus must fulfill these commitments, otherwise it pays penalties. During the second half of the year, based on an interstate agreement Ikarus can deliver another 3,000 buses to the Soviet Union. Although contracts have not been signed, one cannot expect the Soviet party to agree to large scale price increases.

Beyond the price dispute between the two enterprises, Ikarus and Csepel want to obtain a guarantee to the effect that their operations will be profitable this year. Industry deputy minister Gyula Sos pointed out that this must not be considered a subsidy. Ikarus and Csepel Auto pay production taxes, just as Mogurt does after replacement parts shipments. Incidentally, the amount of the latter is higher than the amount in dispute between Ikarus and Csepel Auto. But since the enterprise is requesting that taxes which were scheduled as revenues in the 1989 state budget be forgiven, the issue must be decided by the government.

No solution was found as of press time, and it is questionable whether the government will establish a precedent for resolving regulatory issues related to ruble exports on a case by case basis. This phenomenon may reoccur at other enterprises involved in ruble exports, when export prices cannot be kept in step with inflation. Considering the possibility of dollar-ruble conversion, this phenomenon may reoccur until users have a choice in making procurement decisions.

Promised Wage Hike; Dialogue Averts Strike

*25000237b Budapest NEPSZAVA in Hungarian
20 Apr 89 p 4*

[Article by "S.B.A.": "The Workers Voted: There Will Be No Strike at the Hungarian Optical Works"]

[Text] As we reported in detail on 8 April, in the interest of enforcing their wage demands, workers at the Hungarian Optical Works [MOM] held out the prospect of exercising their legal right to strike, depending on the outcome of mediation. Following negotiations the enterprise trade union committee posed this question to the membership: What action do workers propose in light of the fact that the enterprise did not go along with a 6-percent wage increase beginning on 1 February, instead the enterprise is willing to grant the raise beginning on 1 July. Do workers intend to exercise their rights by stopping work, or are they satisfied with the "half success" that was achieved? The workers' views were reviewed at the MOM trade union committee yesterday

around noon. Workers who could be reached and were polled—about 75-80 percent of all [MOM] workers in Budapest—overwhelmingly voted not to strike. The approval ratio was 70 to 30 percent.

We asked enterprise trade union secretary Laszlo Fogarasi concerning the decision.

[NEPSZAVA] Is it a fiasco or a success?

[Fogarasi] Mediation produced results, regardless of how we view it. In the end, a majority of the workers decided not to strike because in the course of the negotiations we received a specific promise from management for a 6-percent wage increase beginning on 1 July. I feel that the wage struggle that took place at MOM was useful in several respects. On the one hand, our membership was able to experience the union representing its interests according to the membership's needs, while at the same time, in the course of the negotiations a dialogue evolved between management and subordinates which will greatly enhance further cooperation.

[NEPSZAVA] What system of reasoning did the majority use for not going on strike?

[Fogarasi] Even if we cannot view this as a system of reasoning, we may talk about a multitude of arguments. Thus, there were some who believed that considering the lack of orders which slow down production, striking would not serve a purpose, while others made reference to the fact that they wanted to increase their income through work. And there were others who believed that a strike would not guarantee an instant wage increase.

[NEPSZAVA] According to this: [Will they] strike?

[Fogarasi] There will be no strike at this time.

In the midst of today's justified passions, a few days after the strike law went into effect, it may seem odd to praise a strike that did not materialize. Notwithstanding this fact we are doing just that, because the decision and choice made by the majority at MOM appears wise and friendly. A strike is a weapon in the hands of workers, but only if there is no other solution. And only if one strikes not for the sake of striking, but instead has a goal which can be achieved, or is capable of calling the attention of a public prepared to act to an anomaly experienced by the community of workers, an infringement on the rights of this community.

The strike did not materialize, nevertheless MOM workers still used [a threatened] strike as a weapon. They announced at the mediation sessions that in case mediation would fail they intended to exercise their rights. Most certainly, this statement set the tone of the negotiations; in the end the possibility of strike motivated the leadership. Perhaps the majority opinion also sends a message, according to which the passions of MOM workers were not directed against the factory. They were

directed to foster their own interests, and within these interests there was room for another idea: Under new conditions they accepted not only the concessions made by management, but also their arguments.

I believe that these days we should rejoice not when there is a strike, but instead when a strike does not materialize.

Ganz Danubius Workers Oppose Sale of Enterprise

*25000165a Budapest NEPSZAVA in Hungarian
16 Mar 89 p 7*

[Article by Gyula Mezovari: "Sacrifice the Queen: Let the Island Be Sold"]

[Text] The workers at the Ganz Danubius Shipbuilding Co. in Obuda do not at all attach the label of "angel" to their managing director. They are filled with bitterness and uncertainty over the fact that Adam Angyal [translator's note: "Angyal" means "angel"], managing director of the financial department of Ganz Danubius, wants to sell the Obuda manufacturing unit. For otherwise the enterprise will hardly be able to overcome its losses and because the island where the ship factory is now located is at such a favorable location and is so valuable that it should be made available for tourism. That is, if a buyer can be found. So far, in spite of all the announcements by the managing director, the greatly desired foreign buyer has not appeared. This only succeeded in stirring up emotions.

"That man talks and behaves like a capitalist who can do whatever he wants with his own property," complains Karoly Matrai, a shipbuilder. The aromas of coffee and bacon mix together in the improvised shack at Solyaterszel where we talked with a few shipbuilders.

"Adam Angyal is also the president of this company; still he doesn't worry about how to improve the factory, but about how to get away from us. There are 1,300 workers here," said Karoly Matrai, nervously lighting a cigarette. "Now fear has settled in on everyone."

"Yesterday two young lads left us, even though they had learned their trade here. They said they will look for other work while they can, there is no reason to wait until they throw people out," said Sandor Bagameri, in turn.

"I talked to the managing director, as I said. He stated that all physical laborers will be given work on the other side [of the Danube], over there in the Angyalfold area, that he will also preserve the technical crew and that those who are laid off will be given severance pay or they can retire."

"And we are supposed to believe that," Janos Nyul responded to the "message," "because we also believed him when we were reorganized on the first of January so that the company would have a chance to show that it is viable. The managing director also said that he would

sell the island within two weeks, speaking in the first person singular. At the end of December, when the company was reorganized, was when we learned that there is equipment and a building on the island that is not ours, because it is mortgaged, but we have to bear the burden of repaying the debt. Anyway, even if they need 300-400 people on the other side, they will not be together, but scattered around."

"The name of the game is to ruin us. Now, since the first of the year, our work is impossible," states Karoly Matrai. "But we have orders, enough also for next year. Now the work limps along, everyone is nervous, suppliers and buyers will be frightened away, and we will quietly go under. At the end people will say 'Well, well, you couldn't make use of your possibilities, so you failed; didn't I say before that the operation should be sold?'"

"It won't work. Many believe it will. They are looking for reasons to satisfy themselves: The ruins of a Roman palace and monumental buildings can be found on the island, everything can be torn down and hotels built in their place; a lengthy investment that will not soon be profitable. There won't be a buyer. They're dreaming."

Adam Angyal is also dreaming, but of just the opposite. He does not hide for a moment the fact that he would rather be meeting with a buyer for the island than with a newspaper reporter.

"I feel that whatever I write, it will be regarded as some kind of advertising."

"If you are a teary-eyed worker," he lights up a cigar as he answers, "you will condemn me for wanting to sell the island. If you understand the essence of the structural change, you will praise me. You are right. Either one is advertising. I've had my share of it."

"What guarantee is there that most of the workers will not end up in the street?"

"I don't want them to end up on the street. That is one guarantee. On the other hand, ship building will not come to a complete stop, we will move here, to Angyal-fold."

"How much is the island worth?"

"Seven billion forints in hard currency."

"I think that is a starting price, and the final price could be lower. If you are successful in selling it, what will the money obtained be spent for?"

"For one thing, it will cover the cost of relocating the shipbuilding operation, we would invest part in building the tourist center, there will come for capital turnover, and we would get our debts in order."

"How much debt does the enterprise owe?"

"I won't tell you that," Adam Angyal rejects the question. I had learned it elsewhere: it is rumored throughout the plant that between a third and a half of the purchase price will certainly be used up in eliminating the debt. According to some people, that is the first goal of the maneuver. I repeat the question. No answer.

"Wherever the land is more valuable than the work being done on it, there is no sense in struggling," says the managing director. "I would also like to sell part of the Balatonfured factory area. There too it would be more profitable in tourism. But the people of Balatonfured don't even want to hear about that."

"The ship factory workers were able to start this year on an equal basis with other companies. They heard that from you. Then a few weeks later they heard on television that if there is a buyer, the island would be sold immediately. That is not a very refined method."

"I received negative statements from the trade union and the party committee. They also objected to the method. I would say that if there were no reasons for keeping the island, my head would not be aching on account of the method."

Karoly Wieszt, secretary of the trade union committee, places before me a pile of protesting letters and negative comments, as if to prove that the plan to sell had provoked emotional opposition from the workers.

"What is a loss to one can be a profit to others. In other words, some areas can benefit by cutbacks," says the trade union committee secretary. "But it makes a difference who ends up on the losing side, especially when it is almost certain that selling the island will only give the headquarters of the enterprise a temporary extension of its operation; there will not be enough money for development or modernization. It is claimed that the fate of the island was decided already last fall, that is, even before the reorganization of the company. So it is no wonder that the workers assume that this new form of organization only created a legal basis for realization of the interests of a small group of people. We also cannot forget that the present management is responsible for Ganz Danubius's situation. But it appears that it is not they who will have to suffer the consequences, but the workers."

"Is there any chance that sale of the island can be prevented?"

"It seems that the wishes of the shipbuilders and the company managers do not count for much," Karoly Wieszt answers. "One can protest and complain, one can leave and look for other work, one can stay and hope that perhaps the fate of the shipbuilding workers will not be like that of a queen being sacrificed [in a chess game]."

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